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Tariff Board

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Report by

THE TARIFF BOARD

Pursuant to the Inquiry Ordered
by the Minister of Finance
respecting

PLEASURE CRAFT

Reference No. 149

CAI FN 55
-76R49



Report by
THE TARIFF BOARD

**Pursuant to the Inquiry Ordered
by the Minister of Finance
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PLEASURE CRAFT

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Ottawa, 1976

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*Mr. L.C. Audette, O.C., Q.C., former Chairman of the Board, Mr. W.T. Dauphinee, former Second Vice-Chairman, and Mr. Léo Gervais, a member, were members of the panel until their retirement in April 1972, August 1975, and December 1973, respectively.

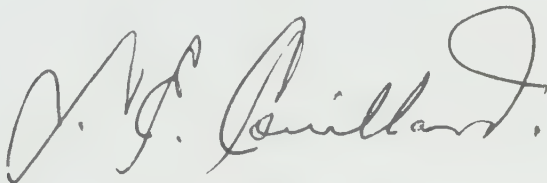
The Honourable
The Minister of Finance
Ottawa.

Dear Mr. Minister:

I refer to the Honourable E.J. Benson's letter of October 22, 1971, addressed to Mr. L.C. Audette, former Chairman of the Tariff Board, directing the Tariff Board to make a study of and report on a number of tariff items and certain other matters as they relate to pleasure craft, as well as hulls, parts, equipment and component parts for pleasure craft.

I now have the honour to transmit the Report of the Board in English and in French. A copy of the Transcript of the proceedings at the public sittings accompanies this Report.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "J. G. Bouchard". The signature is fluid and cursive, with a large, stylized initial "J" and a long, sweeping underline.

Chairman

Explanation of Symbols Used

- Denotes zero or none reported
- .. Indicates that figures are not available
- * Indicates a reported figure which disappears on rounding, or is negligible

The sum of the figures in a table may differ from the total, owing to rounding.

The record of the proceedings of the public sittings held by the Board on this Reference is referred to as the Transcript.

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LETTER OF REFERENCE

Ottawa, Ontario
K1A 0G5

October 22, 1971

Mr. L.C. Audette,
Chairman of the Tariff Board,
219 Argyle Avenue,
Ottawa, Ontario
K1A 0G7

Dear Mr. Audette:

There have been representations that the tariff structure for pleasure craft or pleasure vessels and their component parts provides an unnecessarily high level of protection to Canadian manufacturers and builders and encourages unduly small scale production by a large number of producers in Canada. It has been suggested that some changes in the tariff structure may be necessary for the pleasure craft or vessel industry to develop on a sound economic basis and improve its productivity through longer production runs. However, there is disagreement within the industry on this issue, not only as to whether or not any tariff changes are needed, but also as to what kind of tariff adjustments would be most appropriate.

The Tariff Board appears to be the proper body before which the conflicting interests should argue the merits of their respective positions; the Board could then make a thorough examination of the relevant facts, report upon such facts and make appropriate recommendations.

I, therefore, direct the Tariff Board to make a study and report under section 4(2) of the Tariff Board Act on tariff items 44002-1, 44003-1 and 44004-1 as they relate to pleasure craft or pleasure vessels and hulls therefor, and tariff items 44019-1, 44022-1, 44025-1 and 44028-1, as they relate to parts of, or equipment for, such pleasure craft or vessels. The Board should include in its study such other tariff items related to component parts of pleasure craft or vessels as it may consider relevant to its enquiry. The Board should also review the method of customs valuation now used for pleasure craft or vessels and their hulls.

Among the factors which I would expect the Board to consider in its study are: the importance of export markets to the industry and the extent to which changes in the Canadian tariff may be useful to encourage the growth of an internationally competitive pleasure craft or vessel industry which can further develop these export markets; the nature and degree of the competition faced by Canadian builders of pleasure craft or vessels from both domestic and foreign producers; the relationship between possible growth in the industry and product innovation and uniqueness of design, and the influence of the tariff structure on the encouragement of such activities in Canada; and the importance of the industry to the economies of particular areas in Canada, and the regional impact of any changes in the tariff structure.

If, in the Board's judgement, amendments to the Customs Tariff are desirable, I would request the Board to prepare a revised schedule of tariff items, with recommendations as to rates of duty. If the Board should recommend significant changes in rates of duty, I would ask the Board also to consider whether it would be desirable to implement these changes in stages so as to permit the industry to adjust to them in an orderly way.

Yours sincerely,

E.J. Benson,
Minister of Finance.

CHAPTER I: INTRODUCTION

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CHAPTER I: INTRODUCTION

Boat-building in Canada began with the first generation of settlers. It was a wood-working industry, like furniture making, often carried on by establishments of no more than one or two men. At that time, it produced boats almost exclusively for commercial use. However with increasing affluence and more time for leisure, especially after the Second World War, the building of boats for pleasure has assumed increasing importance; so much so that pleasure craft now constitute the bulk of boat-building and repair activity in Canada. Separate statistical records pertaining to the pleasure craft industry have, however, not as yet been established.

SCOPE OF THE REFERENCE

In his letter of reference the Minister of Finance specifically requests the Tariff Board to make a study and report under section 4(2) of the Tariff Board Act on the following three tariff items as they relate to pleasure craft or pleasure vessels and hulls therefor:

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
Vessels, dredges, scows, yachts, boats and other water borne craft, built outside of Canada, of any material, destined for use or service in Canadian waters (not including registered vessels, entitled to engage in the coasting trade, nor vessels in transit between Canada and any place outside thereof) n.o.p.; on the fair market value of the hull, rigging, machinery, boilers, furniture, and appurtenances thereof, on arrival in Canada:				
44002-1 Other than the following	15 p.c.	25 p.c.	25 p.c.	
G.P.T. rate from 1/7/74 to 30/6/84				15 p.c.

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
44003-1 Boats, open, including sail boats, skiffs and canoes, but not including those with inboard motors or for use with inboard motors	15 p.c.	17½ p.c.	25 p.c.	
G.P.T. rate from 1/7/74 to 30/6/84				11½ p.c.
44004-1 Boats, open, including sail boats, with inboard motors or for use with inboard motors; yachts and pleasure boats, not exceeding 30 feet in length overall	15 p.c.	17½ p.c.	25 p.c.	
G.P.T. rate from 1/7/74 to 30/6/84				11½ p.c.
Regulations may be prescribed by the Minister for exemp- tion from further duty after the duty specified in items 44002-1, 44003-1 and 44004-1 is once paid.				

Furthermore, the Board is directed to make a study and report on the following four tariff items as they relate to parts of, or equipment for, such pleasure craft or vessels:

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
44019-1 Iron or steel masts, or parts thereof; iron or steel angles, beams, knees, plates and sheets; cable chain; all the foregoing for ships and vessels, under regulations pres- cribed by the Minister	Free	Free	Free	
G.P.T. rate from 1/7/74 to 30/6/84				Free

		<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
44022-1	Manufactures of iron, brass or other metal, of a class or kind not made in Canada, for use exclusively in the construction or equipment of ships or vessels, under regulations prescribed by the Minister	Free	Free	Free	
	G.P.T. rate from 1/7/74 to 30/6/84				Free
44025-1	Diesel and semi-diesel engines, of a class or kind not made in Canada, and complete parts thereof, for use exclusively in the construction or equipment of ships or vessels	Free	Free	Free	
	G.P.T. rate from 1/7/74 to 30/6/84				Free
44028-1	Chronometers and compasses, and parts thereof, including cards therefor, of a class or kind not made in Canada, for ships or aircraft	Free	Free	Free	
	G.P.T. rate from 1/7/74 to 30/6/84				Free

In addition, the Board is directed to include in its study such other tariff items relating to "component parts" of pleasure craft or vessels as it may consider relevant to its inquiry.

The Board is directed to prepare a revised schedule of tariff items, with recommendations as to rates of duty, if, in its judgment, amendments to the Customs Tariff are desirable. The Board is also asked to consider whether it would be desirable to implement in stages any significant changes in rates of duty which it might recommend so as to permit the industry to adjust to them in an orderly way.

Furthermore, the Board is requested to review the method of customs valuation now used for pleasure craft or vessels and their hulls.

Finally the Board is expected to consider a number of factors as follows:

- the importance of export markets to the industry and the extent to which changes in the Canadian tariff may be useful to encourage the growth of an internationally competitive pleasure craft or vessel industry which can further develop these export markets;
- the nature and degree of the competition faced by Canadian builders of pleasure craft or vessels from both domestic and foreign producers;
- the relationship between possible growth in the industry and product innovation and uniqueness of design, and the influence of the tariff structure on the encouragement of such activities in Canada;
- the importance of the industry to the economies of particular areas in Canada, and the regional impact of any changes in the tariff structure.

After considering what the scope of its inquiry should be in the light of its mandate as outlined above, the Board concluded that the main object of this Reference was quite clearly pleasure craft as such, and "component parts", "parts of" and "equipment for" pleasure craft. These terms are used in the letter of reference and, for purposes of this Report, are taken to be "component parts", when they refer to articles for use as parts, in the construction and equipment of pleasure craft, by the manufacturers of such craft.

However, in order to acquire a better understanding of the pleasure boat-building industry, the Board also looked into a number of related areas such as: the materials used in pleasure craft manufacture, e.g., fibreglass (which is the subject of a separate Reference to the Board), aluminum sheets, coils and extrusions, wood and resins; a great variety of marine ancillary equipment and accessories such as boat trailers and electronic equipment; marine engines and motors and the parts which go into their manufacture, assembly and repair. However the Board's consideration of these related areas was necessarily limited because many of the foregoing products are those of major industries, and the study of any one of them would have constituted a major undertaking in itself.

As regards "component parts" as defined above, the Board had to decide whether or not it should make recommendations on a number of tariff items dealing with a great range of marine-related products, some of which fall within tariff items 44019-1, 44022-1, 44025-1 and 44028-1 which were specifically referred to the Board. This matter is dealt with in Chapter VII - Parts, Equipment, Accessories and Power Units, and Chapter VIII - Tariff Considerations. Thus the Board did consider relevant to its inquiry a number of tariff items which, although not specifically referred to it, apply, at least in part, to

"component parts" as defined in this Report. The tariff items in question are:

28900-1	35215-1	42700-1	44504-1	52305-1
28900-2	36220-1	42805-1	44512-1	54108-1
32300-1	36800-1	43000-1	44524-1	54305-1
32305-1	39102-1	43300-1	44533-1	56300-1
32615-1	40113-1	44012-1	44603-1	56700-1
33900-1	40123-1	44013-1	46200-1	61800-1
35200-1	41505-1	44300-1	50600-1	61900-1
35215-1	41506-1	44500-1	51901-1	71100-1
35400-1	42405-1	44502-1	51902-1	93907-1(1)

THE PUBLIC SITTINGS, PROPOSALS AND BRIEFS

The public sittings relative to this Reference were held in the Board's courtroom in Ottawa on March 20 to 24, 1972. In advance of the sittings, members of the pleasure craft industry and other interested persons were invited to submit proposals concerning the recommendations which the Board should make to the Minister and concerning the wording and the rates of duty of the tariff items which they considered to be within the scope of the Reference. Briefs containing relevant facts, opinions and arguments in support of any views to be urged before the Board were also invited. Copies of proposals and briefs were circulated to interested parties and were available on request. The major tariff and other proposals made to the Board are summarized in Chapter VIII.

Representations were received from the following; those represented at the sittings are indicated by an asterisk:

Government

Province of New Brunswick, Department of Economic Growth

Associations

- *Allied Boating Association of Canada, Toronto, Ontario
- *Canadian International Dragon Council, Toronto, Ontario
- Canadian Shipbuilding and Ship Repairing Association,
Ottawa, Ontario
- Canadian Yachting Association, Vanier, Ontario
- Marine Trades Association of British Columbia,
Vancouver, British Columbia
- National Secretary, Snipe Class, Canada, Lachine, Quebec
- Nova Scotia Boatbuilders Association, Armdale, Nova Scotia
- *Ontario Marina Operators Association, Toronto, Ontario
- *The Society of the Plastics Industry of Canada,
Don Mills, Ontario
- United Boatbuilders Association, Maple Ridge, British Columbia

Companies

- *Algonquin Mfg. Limited, Toronto, Ontario
- Alloy Manufacturing Ltd., Lachine, Quebec
- *Aluminum Goods Division of Alcan Canada Products Ltd.,
Toronto, Ontario

- Alwest Marine Division of Cooper Boats Ltd., Winnipeg, Manitoba
- *Aqua-Marine Mfg. Limited, Toronto, Ontario
- Bluewater Industries Ltd., Winnipeg, Manitoba
- *C & C Yachts Manufacturing Ltd., Niagara-on-the-Lake, Ontario
- Calgan Marine Ltd., North Vancouver, British Columbia
- Canadian Boat Mfg. Ltd., Princeville, Quebec
- Canadian Fiberform Ltd., Kelowna, British Columbia
- *Canbar Marine Company, Division of Canada Barrels and Kegs Ltd.,
Waterloo, Ontario
- Canots Cadorette Canoes Inc., Grand-Mère, Quebec
- *Chestnut Canoe Company Limited, Fredericton, New Brunswick
- *Corporation House Ltd., Ottawa, Ontario
- Dalex Mfg. Limited, Downsview, Ontario
- *Dominion Auto Accessories Limited, Toronto, Ontario
- *Fabricated Steel Products (Windsor) Limited, Windsor, Ontario
- *Fiberglas Canada Limited, Toronto, Ontario
- Findlay Imports Ltd., North Vancouver, British Columbia
- *Grew Limited, Penetanguishene, Ontario
- *Harber Mfg. Limited, Fort Erie, Ontario
- International Fibreglass Ltd., Winnipeg, Manitoba
- James Fibre-Glass Manufacturing Co. Limited, Maple, Ontario
- John Leckie Limited, Don Mills, Ontario
- Kaiser Aluminum Company, Scarborough, Ontario
- Kildonan Canoe Ltd., Winnipeg, Manitoba
- Marlin Glascraft Ltd., Surrey, British Columbia
- Marr's Marine Limited, Winnipeg, Manitoba
- McVay Fiberglass Yachts Limited, Mahone Bay, Nova Scotia
- Newbury, Edward W., Vancouver, British Columbia
- Paceship Yachts Limited, Mahone Bay, Nova Scotia
- Park-Hannesson Ltd., Division of MIA Chemical Limited,
Winnipeg, Manitoba
- Reichhold Chemicals (Canada) Limited, Weston, Ontario
- *Reynolds Aluminum Company of Canada Ltd., Montreal, Quebec
- *Shepherd Boats, Ltd., Niagara-on-the-Lake, Ontario
- Specialty Yacht Sales Ltd., North Vancouver, British Columbia
- Sunray Boats Inc., Victoriaville, Quebec
- Tamco Limited, Windsor, Ontario
- *Uniroyal Chemical Division of Uniroyal Ltd., Elmira, Ontario

ORGANIZATION OF THE REPORT

Following this introductory chapter, outdoor recreation in Canada is briefly surveyed in Chapter II, in order to help situate the pleasure craft industry within the outdoor recreation industry. It was estimated, for example, that pleasure craft and outboard motors ranked third after snowmobiles and camping equipment, in the growing sales of outdoor recreation equipment.

Chapter III is designed to present a largely descriptive introduction to the pleasure craft industry in Canada before proceeding to a more detailed examination of production, costs, productivity and competitiveness in Chapter IV, of the market for pleasure craft in Chapter V and of Canadian exports and imports of pleasure craft in Chapter VI. Chapter VII presents information respecting parts, equipment, accessories and power units used in or with pleasure craft.

Chapter VIII examines the tariff items specifically referred to the Board as well as other relevant tariff items; issues specifically referred or which were deemed to be relevant to this Reference are also considered. The major tariff and other proposals made to the Board, and other questions such as the Duty Remission Program and the method of valuation of pleasure craft for customs purposes, are also examined.

Finally, Chapter IX contains the Board's conclusions and recommendations regarding tariff structure and rates as well as recommendations on related tariff matters.

There are a number of statistical and other appendices; they are listed at page 383.

TERMINOLOGY

Certain terms as employed in this Report warrant comment as to their definition and usage.

While the term "pleasure craft" is often used synonymously with the term "pleasure boat", a distinction could be made in that "craft" is the broader and more inclusive word - it is used to designate other types of water-borne structures which may not be "boats" as such. Thus inflatable rafts, rafts affording living accommodation, sail-boards, catamarans, and trimarans are probably more appropriately called "craft" rather than "boats". Furthermore, no distinction is made in this Report as between "pleasure boats" and "pleasure vessels", both terms being used interchangeably in the letter of reference. The term "ship" is not used in this Report although it could be if one were to apply strictly the distinction made by Statistics Canada which maintains separate data for the Boatbuilding and Repair Industry and for the Shipbuilding and Repair Industry. For its purposes, Statistics Canada defines a ship as a vessel of more than 5-ton displacement weight. Since, generally speaking, a vessel of over 35 feet probably exceeds this displacement weight, some of the larger sail-boats and power cruisers constructed by the pleasure craft industry could more correctly be called "ships", rather than "boats", to accord with the Statistics Canada definition.

In this Report the Board has adopted the terms in common use in the industry to distinguish between the various types of pleasure craft; the following categories or product groups are used: canoes, utility-boats or utilities, sail-boats (including sail-boards), runabouts (outboards, inboards, and inboard/outboards), and power cruisers; the term "other boats" includes, for statistical purposes, houseboats and pontoon-boats, inflatables, pedalos or pedal-boats, kayaks, scooters, multihull sailcraft, such as catamarans, and some others.

Again for purposes of this Report, three groups of articles employed in the manufacture or outfitting of pleasure craft have been established: parts, ancillary equipment and accessories, and power units. No attempt has been made to define and categorize "parts", "ancillary equipment" and "accessories". However, as indicated above, "component parts" are defined in this Report as being articles, of any

material, for use as parts, in the construction and equipment of pleasure craft, by the manufacturers of such craft. Whereas certain "ancillary equipment and accessories" are "component parts" in some cases, these articles are generally purchased by the boat owner from dealers, marinas, or other marine suppliers and are not installed by the pleasure craft manufacturer at the time of manufacture. "Power units" refer to marine engines, whether gas or diesel or semi-diesel, and outboard and inboard/outboard motors. This Report employs the term "engine" for a power plant which, for installation in a craft, requires a shaft from the engine to the propeller; power units which do not include a drive-shaft are designated as motors. Consequently the Report refers to inboard "engines" and to outboard and inboard/outboard "motors".

SOURCES OF STATISTICAL AND OTHER INFORMATION

Statistical data on the pleasure craft industry in Canada are almost non-existent. Statistics Canada includes this industry in the broader Boatbuilding and Repair Industry under its Standard Industrial Classification No. 328 (S.I.C. 328). In Canada there also exists a large shipbuilding industry, statistics for which are maintained under "Shipbuilding and Repair" (S.I.C. 327). As noted above, Statistics Canada employs the criterion of 5-ton displacement weight in distinguishing between the products of the boatbuilding and the shipbuilding industries. The shipbuilders reporting under "Shipbuilding and Repair" manufacture what Statistics Canada designates as "small craft". These are not further defined as to displacement or type (e.g., pleasure craft), but presumably they may have a displacement of more or of less than 5 tons; Statistics Canada includes these small craft in both "Shipbuilding and Repair" and in "Boatbuilding and Repair".

To obtain additional statistics on the pleasure craft industry for purposes of this Report, the Board conducted a survey in the form of a questionnaire⁽¹⁾ to all known members of the industry. Some 184 manufacturers⁽²⁾, most of them quite small, were identified. Primarily from this questionnaire, but also from other sources made available to the Board, data for 137 establishments were obtained showing that pleasure craft shipments totalled \$44.3 million in 1971. This figure as tabulated by the Board was somewhat higher than the comparable figure recorded by Statistics Canada, namely \$41.7 million, for the larger Boatbuilding and Repair Industry.⁽³⁾

As regards trade, more detailed information than is available from Statistics Canada was obtained from an analysis of import data for the 12-month period from March 1971 to February 1972. Similar information on exports was derived from the Board's survey and covered thirty-nine Canadian pleasure craft producers whose exports represented 90 per cent of the value of Canadian exports.

(1) A copy of the questionnaire is contained in Appendix B.4.

(2) The list of manufacturers in 1971, as identified by the Board, is given in Appendix B.1.

(3) Appendix B.5 contains a statistical note comparing the results of the Board's industry survey and Statistics Canada data on the number of establishments and the value of shipments.

Valuable information was obtained from submissions and briefs submitted to the Board and from the evidence given at the public sittings. A number of companies were particularly helpful in providing information and data. A number of meetings were held with members of the industry, and some fifty producers in all parts of Canada were visited. Furthermore, a paper on outdoor recreation in Canada was commissioned from two members of the Faculty of Management Sciences at the University of Ottawa.

Note should be taken of the fact that the term "production" is often used interchangeably in this Report with the more technical term "shipments of goods of own manufacture" or "factory shipments" or simply, "shipments". In fact, for any given year, "factory shipments" are not the same as "production" because for example, "shipments" include goods shipped out of inventory (that is, goods "produced" prior to the year in question); conversely, goods "produced" in a given year may not be recorded as "shipments" in that year because they have gone into inventory: in other words, "production" does not take into account changes in inventory volume and value whereas "shipments" data do. However, as regards the pleasure craft industry, annual changes in inventory are usually unimportant and consequently factory "shipments" for any given period can be taken to be the same as factory "production" for that period. Also, factory "shipments" are taken to be the same as "sales" at factory level.

The "domestic market" has generally been calculated by simply adding imports to "shipments" (or "production", or "sales" at factory level) and deducting exports. The more technical terms "domestic disappearance" and "domestic consumption" are not used except in the statistical appendices. As used or second-hand pleasure craft are included in import statistics, the estimated domestic market to some extent includes such used craft.

It should be pointed out that the value of the motors and the engines which have been installed in pleasure craft either at the plant in Canada or before the craft are imported or exported, are included in the value of domestic production and shipments, imports and exports, given in this Report. In the case of domestically-produced boats designed for inboard power (mostly auxiliary sail-boats and power cruisers) and inboard/outboard runabouts, engines and motors are installed at the factory and therefore domestic shipments and Canadian export statistics include the value of such motors and engines. In contrast, outboard runabout models, which are designed for use with an outboard motor, are shipped by manufacturers without the motor - it is purchased separately by the boat owner. Similarly, import statistics include craft with motors or engines installed as well as craft imported without power units. Most auxiliary sail-boats and large power cruisers are imported with engines installed and the value of the engines is included in the import statistics. However, to take advantage of duty-free entry granted on motors and engines of a class or kind not made in Canada, many craft, especially inboard/outboard runabouts and some power cruisers using inboard/outboard motors, are imported without motors, these being installed after entry.

Finally, whereas the Board's questionnaire survey of the industry for the year 1971 was completed by a representative sample of pleasure craft manufacturers and produced hitherto unavailable information, the data obtained, in some respects at least, remain rather

sketchy, or cannot be revealed for reasons of confidentiality. In other cases it proved impossible to obtain sufficiently comparable information (e.g., as regards production costs) because of major differences or deficiencies in the accounting records of the establishments concerned.

ACKNOWLEDGEMENTS

The Board expresses its appreciation to the members of the pleasure craft industry, to the many associations interested in it, to a number of government departments at the federal and provincial levels and, particularly, to those who submitted briefs, participated in the public sittings and in the Board's questionnaire survey and who, through discussions and in other ways, facilitated the task of the Board and of its staff.

CHAPTER II: OUTDOOR RECREATION IN CANADA

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CHAPTER II: OUTDOOR RECREATION IN CANADA

INTRODUCTION

The purpose of this brief chapter is to help situate the pleasure craft industry in the rapidly growing outdoor recreation industry. Thus the relative importance of pleasure craft in terms of consumer expenditures can be estimated, at least in general terms. Similarly, participation in activities in which pleasure craft are used can be compared, however roughly, with other "competing" outdoor recreational activities.

The chapter also discusses, briefly, some of the characteristics of pleasure boat owners or boating participants, and the regional distribution of boating activity in Canada.

DEFINITIONS AND SOURCES OF DATA

In 1972 Statistics Canada published the first of an annual series of statistical digests containing data on travel, tourism and outdoor recreation. In presenting its data on "Outdoor Recreation Activity", Statistics Canada noted the lack of information on the subject: "The department had been little involved with statistics on outdoor recreation activities prior to the 1971 Canadian Travel Survey from which some data on activities of travellers and ownership and use of equipment have been collected. Ideally, some data should also be presented in this Report on outdoor recreation resources but up to now these have largely defied aggregation on a national scale."(1)

Outdoor recreation expenditures can be divided into two categories, equipment and services. Equipment includes such items as boats, engines and motors, camping equipment, skis, snowmobiles, golf equipment and supplies, hunting and fishing equipment, firearms and ammunition, and other sporting goods, whether purchased or rented. Services include direct charges for the use of recreational facilities, such as marina charges, various membership dues, green fees and ski tow fees, lessons, fishing or hunting licences, and miscellaneous service charges; they do not include equipment rentals.

In addition to these direct expenditures on outdoor recreational equipment and services, there are expenditures for equipment that may be used both indoors and outdoors, such as equipment for photography, swimming, skating, badminton, etc. Similarly there are service charges covering both indoor and outdoor recreation, such as club fees. Then there are a number of expenses, such as auto expense, transportation, food and shelter, which may be indirectly and partially associated with outdoor recreation, but are normally included in travel and vacation spending. Sports and vacation clothing expenditures also are in part related to outdoor recreation.

(1) Statistics Canada Cat. No. 66-202, Travel, Tourism and Outdoor Recreation, A Statistical Digest-1972, p. 89

In summary, national expenditures for outdoor recreation here, unless otherwise noted, refer only to the retail cost of equipment used directly for outdoor recreation and the cost of direct services (excluding rentals). Indoor/outdoor equipment and indirect services generally are excluded because of the impossibility of determining how much to apportion to outdoor recreation. It must be remembered, however, that the data on outdoor recreation lack precision and are presented here for the sole purpose of providing perspective for pleasure boating and the pleasure craft industry.

CONSUMER SPENDING ON OUTDOOR RECREATION

Retail expenditure on various types of outdoor recreational equipment in Canada, in 1971, was estimated at between \$625 to \$700 million. Table 2.1 shows that boats and outboard motors accounted for 15 per cent of this amount. Only snowmobiles, 24 per cent, and camping equipment, 22 per cent, were more important.

It should be noted that some of the equipment can be used for indoor as well as outdoor activity. Photography is considered to be an indoor/outdoor pastime rather than a form of outdoor physical recreation and the \$125 - \$135 million which the Board estimates Canadians spend annually on cameras, projectors and other photographic equipment, is excluded.

Table 2.1: Estimated Retail Expenditure by Canadians on Outdoor Recreational Equipment, 1971

<u>Product</u>	<u>Retail Expenditure</u> \$ million	<u>Per Cent^(a) of Total</u> %
Snowmobiles	160	24
Camping Equipment ^(b)	127 - 161	22
Other Sporting Goods ^(c)	116	18
Boats and Outboard Motors	103	15
Boats	67	10
Outboard Motors	36	5
Skis (snow skiing)	35 - 60	7
Hunting and Fishing	33 - 45	6
Golf Equipment and Supplies	33	5
Firearms and Ammunition	20	3
<u>Total Expenditures</u>	627 - 698	100

(a) Using mid-point of range

(b) Includes, principally, tents, sleeping bags, travel trailers, tent trailers and pickup campers

(c) Includes, principally, bicycles, tennis, baseball, football, hockey equipment and playground equipment

Source: Derived from a paper prepared for the Tariff Board on Outdoor Recreation in Canada by E. Eisenberger and J.P. Lacube (unpublished). The estimates are based on shipments, import and export data recorded by Statistics Canada.

In addition to expenditure on equipment, spending on services related to outdoor recreation is significant. It is difficult, however, to define and identify these services with accuracy, and to put a value on them. Expenditures directly associated with outdoor recreation are estimated at about \$170 million for 1971. Spending on golf membership fees and dues and ski tow tickets account for most of this figure. If spending on items less directly associated with outdoor recreation, primarily for certain types of accommodation such as hotels, motels, and summer resorts (including wharfage and storage for pleasure craft), is added to the above total, spending on services is perhaps \$500 million. This estimate does not include transportation costs related to outdoor recreation.⁽¹⁾

GROWTH IN OUTDOOR RECREATIONAL ACTIVITY

Studies of Canadian participation in outdoor activities have been conducted in recent years for the National Parks Branch, Department of Indian and Northern Affairs. Participation rates in 1972 for eighteen outdoor activities, as presented in Appendix A.1, indicate that some 23 per cent of the people surveyed (eighteen years of age and over) participated, at least once in a 12-month period, in power boating; 10 per cent in canoeing; and 5 per cent in sailing. Comparative percentages for "driving for pleasure" were 65 per cent, for fishing 31 per cent and for snow skiing 7 per cent.

A comparison with the results of similar research on outdoor activity in Canada in 1967 and 1969⁽²⁾ shows that interest in canoeing and power boating has increased significantly in the past five years, in fact at a rate only exceeded by "visits to historic sites". Only hunting appears to have declined in frequency of participation.

The rising interest, in both the United States and Canada, in outdoor activities is furthermore illustrated by the growth in equipment sales. In the United States spending on outdoor recreation equipment (some indoor activities are included) has increased recently by 12 to 15 per cent annually. In Canada the growth in spending on outdoor recreational equipment has been even greater. Statistics for the years 1965 to 1969 indicate an average per annum growth rate of 21 to 22 per cent for such outdoor equipment in Canada.⁽³⁾ While this growth rate includes an exceptional rise in snowmobile sales, it compares, for example, to a rate of growth of about 9 per cent for total personal consumer expenditures. One other

(1) Ibid. This reference indicates that 1969 spending on transportation was \$5.5 billion, almost all of which was due to the purchase and operation costs of private automobiles and trucks. The inclusion of even a small percentage of this private automobile and truck expense increases greatly the range estimated here.

(2) Statistics Canada Cat. No. 66-202, Travel, Tourism and Outdoor Recreation, A Statistical Digest-1972, p. 89

(3) Derived from a paper prepared for the Tariff Board on Outdoor Recreation in Canada by E. Eisenberger and J.P. Lacube (unpublished)

important indicator of the rising Canadian interest in outdoor recreation is park attendance: national and provincial park visits rose from 34.8 to 55.5 million in the 1965-1970 period, an average growth rate of 10 per cent annually.

Short-term and long-term factors contributing to this increased interest in, and spending on, outdoor recreation in Canada are a rising affluence (as measured by greater per capita disposable income) together with a continued increase in population and its urbanization. Greater leisure time, particularly in the form of paid vacations, holidays and earlier retirement, is also an important factor, along with the improved mobility of Canadians as reflected in increases in private car ownership and highway construction and improvement.

These factors have greatly increased the appetites of Canadians for recreation outside the urban environment. Product development and improvement by the manufacturers of recreational goods have, no doubt, also contributed to a rising interest in many outdoor pastimes.

CHARACTERISTICS OF PARTICIPANTS IN PLEASURE BOATING

Pleasure boating as a major outdoor activity in Canada has been the subject of only a few studies which have been limited to describing the characteristics of the Canadian pleasure boat owner or boating participant. Although consumer research in this area is fragmentary, sufficient data have been assembled⁽¹⁾ to examine in general terms some of the more important considerations such as age, income level and family status. Something is also known about the regional patterns in boating activity.

Age is an important factor influencing participation in boating as in all forms of outdoor activity. Not surprisingly, canoeing and sailing both exhibit a comparatively rapid decline as a recreational activity among higher age groups (See Table 2.2). This decline appears to be somewhat less in the case of power boating and fishing.

(1) The principal sources for this discussion are:

- Parks Canada, Department of Indian and Northern Affairs, 1972 Traveldata Study (unpublished)
- Allied Boating Association of Canada, The 1969 Canadian Boatman's Survey (Statistics compiled from 1,354 questionnaire responses from people attending the 1969 Toronto and Montreal boat shows; extracts from this survey are reproduced in Appendix A.2.)
- Market Research Department, International Marine Expositions Inc., (Chicago, Ill.: International Marine Expositions Inc.)
- One Design and Offshore Yachtsman and Outboard Marine Corp., "Sailboat Market Study", One Design and Offshore Yachtsman, May, 1967

One could conclude from the age structure of participants that, aside from greater affluence and more leisure, the favourable demographic structure in Canada in recent years has contributed to the growth in sales of outdoor recreation equipment and pleasure craft. However, participants are frequently not the owners or purchasers of equipment.

Table 2.2.: Distribution by Age Group of Participants in Selected Outdoor Recreation Activities in Canada, 1972^(a)

Activity	Age Groups			
	18-29	30-39	40-49	50 & Over
	%	%	%	%
Fishing	42	21	19	19
Power Boating	45	21	18	17
Canoeing	57	20	12	11
Sailing	61	19	7	12
Snow Skiing	57	20	16	7
Ice Skating	60	22	11	7
Bicycling	56	23	14	7
Driving for pleasure	36	20	16	28
Picnics or cookouts away from home	39	21	18	22

(a) Percentage distribution, by age group, of the total number of people, eighteen years and over, citing participation, at least once during a year, in the indicated activity

Source: Parks Canada, Department of Indian and Northern Affairs, 1972 Traveldata Study (unpublished)

For boats, for instance, the bulk of boat owners are in the middle age group. This is substantiated by a number of consumer research reports on pleasure boating. According to one reliable United States study, for example, 49.4 per cent of all boating participants, based on ownership, are in the thirty-five to fifty-four age bracket.⁽¹⁾ The 1969 Canadian Boatman's Survey, already mentioned, indicated that boat ownership was highest in the thirty to forty age group. Assuming medium fertility and a net immigration of 100,000 annually, the number of persons in the thirty to thirty-nine age group is expected to increase by 24.7 per cent between 1975 and 1980.⁽²⁾

(1) Predicasts, Inc., Recreational Boating (Cleveland, Ohio, 1970); used with permission of the company

(2) The Population Projections for Canada, 1969-84, Statistics Canada, Census Division

Pleasure boating and sales of pleasure craft in Canada have been stimulated not only by the rapid growth of the Canadian population but also by its favourable age structure. As a result of the post-war Canadian baby boom, a relatively high proportion of Canada's population has, in the past decade, been in the age group where participation in pleasure boating is highest, and is about to enter the age group which is most prominent in boat ownership. The persons who by their participation stimulated the purchase of pleasure craft by their parents in the past are increasingly becoming purchasers themselves. While this potential growth in demand will in part be diverted to the used boat market, this development can be expected to provide a basis for future growth in the pleasure craft industry.

Another critical determinant of boat ownership is income. The purchase of even a small new outboard runabout and motor, for example, entails a minimum expenditure of \$1,500. Larger runabouts, sail-boats, and cruisers cost considerably more. The Board was not able to obtain satisfactory information on boat ownership according to income level. Some data on the subject in the 1969 Canadian Boatman's Survey reveal a high degree of boat ownership in the less than \$7,500 income bracket. Boat ownership by people in the lower income groups is in part explained by the growing used boat market which makes boat acquisition less costly.

According to a United States study, boating participation (assumed in the study to mean boat ownership) and household income level is related as follows:

Table 2.3: Income Distribution of U.S. Boating Participants, 1968

<u>Household Income Bracket</u>	<u>Percentage of All Incomes</u> %	<u>Boating Participants</u> %
Under \$2,000	12.6	2.0
\$ 2,000 - \$ 3,999	13.9	7.9
\$ 4,000 - \$ 5,999	14.2	12.1
\$ 6,000 - \$ 7,999	15.9	14.1
\$ 8,000 - \$ 9,999	13.5	17.5
\$10,000 - \$14,999	19.4	19.5
\$15,000 and Over	10.5	26.9
<u>Total</u>	100.0	100.0

Source: Predicasts, Inc., Recreational Boating (Cleveland, Ohio, 1970)

Pleasure craft ownership is clearly associated with higher household incomes. The highest percentage of boat owners, some 26.9 per cent, were in the over \$15,000 income bracket in 1968, even though only 10.5 per cent of total household income was in this income bracket. Presumably the same situation obtains in Canada. However, boat ownership in the below average income groups is not inconsequential. In the above table, for example, 36 per cent of boat

owners were in households with incomes under \$8,000. People owning sail-boats seem to form a rather select group among the boating population. United States studies of sail-boat owners indicate that this group is comprised of well-educated participants earning substantially greater than average incomes.⁽¹⁾ Income has recently become less important in sail-boat ownership with the production of small, cartop size, relatively inexpensive sailing craft.

The research done for the Department of Indian and Northern Affairs also permits a comparison of frequency of participation in outdoor recreation and income level. All forms of outdoor activity are strongly associated with higher income levels. As one would expect, some activities appear to be more income related than others: for example, high income appears to be a more important determinant for activities such as trailer camping and snow skiing and less of a factor in walking or hiking for pleasure, snowmobiling, and picnics. The three forms of boating shown in Table 2.4 and fishing, primarily a boat-related activity, seem to fall into the group of activities more strongly correlated with higher incomes. This is especially true for sailing which, as in the United States, exhibits a high participation rate in the higher income groups. (The increasing popularity of small sailcraft may tend to spread participation somewhat). With the exception of sailing and snow skiing, however, it is in the \$7,500 to \$10,499 income bracket that the highest participation rates are found not only for fishing, canoeing and power boating but also for all other outdoor recreational activity surveyed. In other words the rapid increase in boating and in pleasure craft ownership and sales has benefited, and can be expected to benefit further, from rising income.

(1) Bernard A. Goldhirsh, "Our New Sailing Community - Consumer Trends", Sailing Industry, July 1969

This report gives the following consumer profile of sail-boat owners: average age is 36.2; 81 per cent are married and have an average of 2.1 children; 71 per cent have one or more college degrees; average 1968 income was \$18,374.

A 1967 study done by One Design and Offshore Yachtsman (Op. Cit., p. 15) estimates that 91 per cent of sail-boat owners had one or more college degrees; 61 per cent had earnings in the \$15,000 and over category.

Table 2.4: Distribution by Income Group of Participants in Selected Outdoor Recreation Activities, 1972^(a)

Activity	Under	\$4,500	\$6,000	\$7,500	\$10,500
	\$4,500	\$5,999	\$7,499	\$10,499	and Over
	%	%	%	%	%
Fishing	13	13	16	35	23
Power Boating	11	12	18	32	27
Canoeing	12	11	15	33	29
Sailing	10	6	14	28	42
Trailer Camping	10	10	16	35	29
Snow Skiing	12	10	16	26	35
Walking or hiking for pleasure	18	14	16	28	25
Snowmobiling	14	15	19	31	21
Picnics or cookouts away from home	16	12	17	32	24

(a) Percentage distribution, by income group, of the total number of people, 18 years and over, citing participation, at least once during a year, in the indicated activity

Source: Parks Canada, Department of Indian and Northern Affairs, 1972 Traveldata Study (unpublished)

As regards the family status of boat owners, studies indicate that 70 to 85 per cent are married and have children. The presence of children in a household seems to be a significant factor in recreational boat buying. In the 1969 Canadian Boatman's Survey, for example, most boat owners having children responded that children were either of "moderate" or "major" influence in their leisure expenditures. Relatively few responses indicated children as being only of a "minor" influence. Although young children might be presumed to inhibit participation in outdoor recreational activities, this conclusion is not substantiated by participation surveys in which participation was not found to be associated with children's ages. The presence of children in a household presumably restricts some kinds of boating activities while encouraging others. In sailing, for example, the main interest seems to be very definitely in family day sailing and cruising, as opposed to racing. According to one United States survey, 86 per cent of sail-boat owners bought boats for family activities and only 14 per cent were interested in racing.

Some information is available on the regional distribution of boating activity. Of the eighteen activities for which participation rates were tabulated for the Department of Indian and Northern Affairs, as shown in Appendix A.1, four activities pertain to pleasure boating and are reproduced in Table 2.5. British Columbia ranks first in all boating activities. Ontario, Quebec and Manitoba have a lower rate of participation, followed by Alberta and Saskatchewan;

the Atlantic region has by far the lowest participation, especially if sport fishing is excluded. The principal factors influencing regional patterns appear to be per capita income, climate, attractiveness of waterways in different regions, and the proximity of population concentrations to attractive waterways.

Table 2.5: Participation in Boating Activity, Percentage Participation^(a), by Province, 1972

	<u>Fishing</u> %	<u>Power Boating</u> %	<u>Canoeing</u> %	<u>Sailing</u> %
Atlantic	31	13	2	3
Quebec	29	25	11	4
Ontario	31	23	11	6
Manitoba	38	22	9	4
Saskatchewan	31	20	4	1
Alberta	29	23	8	1
British Columbia	39	31	13	7
Canada	31	23	10	5

(a) Percentage of people, eighteen years and over, surveyed in each province who cited participation in indicated activity at least once in 1972

Source: Parks Canada, Department of Indian and Northern Affairs, 1972 Traveldata Study (unpublished)

All types of recreational boating in Canada appear to be principally done from cottages (See Appendix A.2). According to recent participation studies, power boating is mostly a pastime of urban dwellers. Indeed, this is true of almost all forms of outdoor recreation in Canada.

It is also interesting to note, from surveys of boat buyers in the United States⁽¹⁾, that the intended use of outboard boats is as follows: water skiing, 48.5 per cent; fishing, 44.0 per cent; cruising, 37.2 per cent; hunting, 35.8 per cent; other, 6.5 per cent. These figures probably provide a good approximation of the relative importance of the outdoor recreational use to which power boats are put. It is only recently that water skiing displaced fishing as the most often cited use.

(1) Market Research Department, International Marine Expositions Inc., The Annual Market Research Notebook, 1971 (Chicago, Ill.: International Marine Expositions Inc.)

In summary, the growth of Canadian consumer expenditures on outdoor recreational equipment has been rapid in recent years, substantially exceeding the growth in consumer expenditures generally. Canadian expenditures on outdoor recreational equipment is estimated at \$625 - \$700 million, with spending on boating, including outboard motors as well as boats, comprising some 15 per cent of this total. Surveys of outdoor activities indicate that fishing and power boating are, in particular, popular forms of outdoor recreation. The more important determinants of participation in pleasure boating are age, income level, degree of urbanization and ease of access to attractive waterways. Regional differences in participation are in large part due to differences in these underlying factors. Rising per capita income, more leisure and a relatively young and increasingly urban population all have contributed to a rapid expansion in pleasure boating.

CHAPTER III: The Pleasure Craft Industry in Canada

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CHAPTER III: THE PLEASURE CRAFT INDUSTRY IN CANADA

INTRODUCTION

The purpose of this chapter is to present a largely descriptive introduction to the pleasure craft industry in Canada. It also serves to situate aspects of the industry which are examined in subsequent chapters and to discuss others, which are not dealt with elsewhere such as some associated industries, product innovation and development, new technology and sources of materials.

The main types of pleasure craft are described as well as the products and services of a number of industries associated with the pleasure craft industry. Developments in the market for the various products of the industry are discussed along with product innovation and improvement. The main characteristics of the pleasure craft industry are then examined in terms of the size and distribution of establishments, production, employment, and foreign trade.

MAIN TYPES AND RELATIVE IMPORTANCE OF PLEASURE CRAFT

The market for pleasure craft is highly segmented because boats for recreation differ greatly as to intended use, design, type of construction material, and price. The 184 establishments which were identified in 1971 as constituting the pleasure craft manufacturing industry in Canada⁽¹⁾ produce a wide variety of boats ranging from canoes to large luxury cruisers. A similarly wide variety of boats is imported.

It is important, for analytical and other purposes, to group these dissimilar pleasure craft into more comparable types or categories. In this Report, pleasure craft are classified as follows: canoes, utility-boats, runabouts, sail-boats, power cruisers and "other boats". These, and a few other types, are described below.

Canoes

Canadian-made canoes continue to be popular boats for recreation and work. Traditionally made of wood and canvas, most canoes today are of fibreglass reinforced plastic (FRP) or aluminum construction. While most canoes are double-ended for ease of paddling, some are constructed with a transom and some with a bracket to accommodate a light outboard motor.

Utility-Boats

This term refers to smaller pleasure craft such as row-boats, dories, skiffs and dinghies. Other commonly used industry terms for this boat group are prams, fishing boats, and cartoppers. Such boats are used for general recreational purposes with or without an outboard motor. The normal length of such boats is from 8 to 14 feet with aluminum being the most popular construction material. Utility-boats are also constructed of FRP, of wood and, more recently, of a number of thermoformed plastics.

(1) A listing of these establishments is presented in Appendix B.1.

Runabouts

The term runabout refers to power craft or motor-boats, normally 14 to 20 feet in length and usually designed with an emphasis on style and speed. As opposed to utility-boats, runabouts are normally equipped with such items as windshields, steering wheels and remote motor control. This major type of pleasure craft is comprised of three distinct subgroups according to the kind of motor used.

Outboards - These motor-boats have an outboard motor, including both drive and steering unit, usually bolted to the transom of the hull.

Inboard/Outboards - These craft, while having the drive unit as in an outboard, mounted on the transom, have the motor mounted permanently inside the boat. The inboard/outboard (or inboard/outdrive or stern-drive) design permits the use of higher horsepower in a given length of boat than is possible in outboards. This type of boat does not require either a drive-shaft under the hull, from the engine to the propeller, or a separate rudder for steering. Inboard/outboards, or "I/Os", constitute a group of larger and more expensive boats within the runabout category.

Inboards - The third type of runabout model has the inboard or "straight inboard" engine. Such models have a more seaworthy placement of the engine within the hull. This type of design has a drive-shaft (or shafts) running from the engine to the propeller (or propellers) as well as a separate rudder for steering. Inboard runabouts are not common, as the runabout type of boat is almost always either of an outboard or I/O design. I/Os have become increasingly popular since the late 1960's.

Sail-Boats

This category includes a wide range of boats for cruising, day sailing, or racing. Cruising sail-boats are usually equipped with auxiliary power provided by an inboard engine and range in length from 20 feet to over 60 feet. Day sailers are usually much smaller but may, nonetheless, have sleeping accommodation and head; they are often used with an outboard motor. In this Report, sail-boats with inboard engines are described as auxiliary sail-boats. Racing sail-boats encompass all sizes with design often governed by regulation for "class" sail-boats laid down by various class associations. The term ballasted sail-boat refers to boats usually constructed with a fixed or permanent keel; non-ballasted craft, normally smaller, usually employ a movable centre-board to provide needed ballast and stability. Most sailcraft are single hulled (monohull), though some are of multi-hull designs, such as catamarans and trimarans⁽¹⁾. Sail-boards - basically surf-boards fitted with a sail and normally about 11 to 14 feet in length - are another type of pleasure craft within the sail-boat category.

(1) For statistical purposes, multihull sailcraft are grouped under "Other Pleasure Craft".

Power Cruisers

This type, also termed cabin cruisers or motor yachts, includes larger power craft which differ from runabouts in that they have facilities for living aboard, as opposed to day cruising only. Minimum living facilities would include sleeping accommodation for two persons, head and galley. Virtually all large power cruisers use inboard engines, and the term inboard, sometimes used in industry statistical reporting, is, for all practical purposes, equivalent to craft of the power-cruiser or cabin-cruiser type. Most smaller power cruisers, usually of less than 25 feet, are powered by inboard/outboard motors.

Other Pleasure Craft

This category includes catamarans, trimarans, houseboats, kayaks, pedal-boats or pedalos and a wide variety of inflatables, some of which are motor driven. This category also includes airboats and would include, as well, hovercraft.

Many pleasure craft, particularly sail-boats, are purchased from the manufacturer in kit form and finished by the purchaser. Kits generally include a hull, deck and bulkheads and may include other equipment. They may be wet kits ready for the water or dry kits requiring further work before launching. The do-it-yourself purchaser may then finish his craft with new and used materials according to his taste and resources.

Boats, as well as ships, are often produced and employed in Canada for commercial purposes. Major commercial uses are fishing, patrol or surveillance work by governmental organizations, personnel transport (crew boats) to work sites, water taxis, and "charter for hire" and tour boats. A number of Canadian boat-builders produce craft for both pleasure and commercial purposes, and this is taken into account as appropriate.

Some indication of the relative importance of types of pleasure craft is available from a breakdown of the value of Canadian sales in 1971. Clearly, in value terms, runabouts, sail-boats and power cruisers are, in that order, the most important categories. Accurate information on the total number and types of pleasure craft currently in use is not available because not all boats are subject to the registration or licensing regulations of the Ministry of Transport and there is no record of registered or licensed boats which are no longer in operation.

Table 3.1: Distribution of the Canadian Market for Pleasure Craft, by Type of Craft, 1971

<u>Product Group</u>	<u>Percentage</u>
Canoes	6.7
Utility-boats	11.7
Runabouts:	
FRP	34.4
Aluminum	3.6
Wood	<u>0.9</u>
Total Runabouts	38.8
Sailcraft:	
Without Auxiliary Power	11.3
With Auxiliary Power	<u>7.4</u>
Total Sailcraft	18.8
Power Cruisers	17.6
Other Boats	5.6
Unidentified	0.8
<u>Total Pleasure Craft</u>	100.0

Source: Based on value data from Tariff Board Industry Survey,
Tariff Board Import Analysis and Statistics Canada data

PRODUCT INNOVATION AND DEVELOPMENT

The nature of boating and its popularity as a leisure time activity have changed considerably since the years immediately following the Second World War when participation in this form of recreation was limited to a relatively small section of the Canadian population. Two main influences have brought about this development: the first, which is the subject matter of this section, is that manufacturers of pleasure craft and pleasure craft equipment and accessories have, over the past twenty years, introduced a number of new and improved products and construction materials which have strongly influenced consumer buying; the second influence has been the strength of the demand, stimulated by a number of favourable economic and social factors - most importantly, the increase in disposable income and the discretionary portion of disposable income, and the expanding amount of leisure time available in which to pursue recreational interests.

Most of the innovations and improvements in the pleasure craft industry have originated in the United States. The most important has been the use of new hull materials; the emergence of fibreglass reinforced plastic (FRP) has been, by far, the most significant single

development in the industry since 1945. Whereas wood dominated Canadian boat-building in the years immediately following the Second World War, FRP is now used extensively for all types of pleasure craft produced. According to Tariff Board estimates, boats of FRP construction, in 1971, accounted for 89 per cent of the Canadian market (by dollar value) for runabout models, 96 per cent of the sail-boat market, and 77 per cent⁽¹⁾ of the power cruiser market. The only exception to the dominant position of FRP as the principal construction material is in the utility type of boat where aluminum is the chief construction material.

FRP Technology

The increasing popularity of FRP boats brought about a major upward trend in pleasure boat sales beginning in the early 1950's. Although various types of plastic boats had been introduced prior to and during the Second World War, these early versions were of poor quality and were not successful. FRP products had thus to overcome the poor reputation of past attempts at working with these new construction materials. Furthermore, traditional boat-builders and the experienced boating public did not accept FRP readily. The rising affluence of the early 1950's, however, attracted into the market a large number of first-time boating participants; this newer group of consumers was more receptive to the use of FRP and to the changes in styling which it made possible. Improvements in materials available to the pleasure craft industry were also essential to the success of the FRP technology. Technically, a critical innovation was the development of superior polyester resins which could be more easily used with the glass fibres and cured without pressure, at room temperature.

FRP⁽²⁾ was first adopted for boat making by the producers of smaller craft, utility-boats and runabouts, but during the 1950's, as this new material proved itself, FRP techniques were increasingly employed in large boat construction. By the late 1950's, many cruising sail-boats were built using FRP construction, and during the early 1960's, "one design" classes of sailing associations also admitted fibreglass boats.

Larger inboard powercraft was the last product group to convert to FRP construction. In the United States, Hatteras Yachts of High Point, North Carolina, was the first major company to enter the market with a production line of "stock" FRP power cruisers. All major producers of cabin cruisers followed suit over the next ten years. There appear to be a number of reasons why the conversion to FRP occurred last for power cruisers. One factor may have been engineering reservations about FRP performance in large, high-powered boats under conditions of stress and wave impact. Another consideration is that FRP, also for reasons of stress, was considered to be less applicable

(1) This estimate includes a small dollar volume of power cruisers of a laminate structure, e.g., a wooden hull with an exterior FRP skin.

(2) Chapter IV contains a brief description of FRP production methods.

to flat-sided designs typical of many cabin cruiser models. The maximum limit to the size of boat that technically can be made, using FRP methods, has not even now been established after twenty years of marine experience with this type of fabrication. On Canada's west coast, many commercial fishing boats ranging from 30 to 50 feet are currently being built of FRP; in the United States, Hatteras Yachts now produces a 74-foot FRP trawler. In Britain, in June 1972, the first FRP warship, a 150-foot minesweeper built by Vosper Thornycroft of Southampton, England, was launched. The United States navy is reported to have commenced study of FRP cargo vessels in the 300-foot category.

During the 1950's, FRP proved to have a number of advantages over traditional wood construction. FRP does not rot nor waterlog. Of importance to the week-end boater, FRP hulls do not require the annual sanding, caulking, painting and re-finishing needed for wooden hulls. The exterior colour of an FRP boat is set in the outer "gel coat" surface and it is reported that, assuming average use and care, an FRP hull may not need repainting for five years. FRP is substantially superior to wood in its strength to weight ratio, an important factor where speed is a consideration. A further advantage provided by FRP is its greater design freedom: whereas wood and plywood structures are much confined in the curves which can be attained, FRP permits a number of appealing and functionally desirable new forms and contours.

In powercraft especially, the deep V-hull form was an important post-war innovation in contour design in FRP pleasure boats. The cathedral or gull-wing hull configuration, developed later and offering improved stability, has also become an important hull form. Both designs have supplanted the conventional hull configuration common to power boats of early post-war vintage, which consisted of a modest V bow and a flattened stern section. Another design innovation aided by FRP technology has been the sail-board.

There were efforts, in the 1950's, to put pleasure craft construction on a mass production basis. As discussed in one review of fibreglass usage⁽¹⁾, the hand lay-up method (contact moulding), now used in almost all FRP fabrication, was not fully sanctioned by production engineers in the late 1940's. Attempts were made to use mated moulds and automated equipment to mechanize pleasure craft construction. While a number of mechanical processes were developed, they were largely discontinued in favour of the hand lay-up system, which offered greater flexibility and lower capital outlay. Automated processes were abandoned principally because in the 1950's, as now, product differentiation was important to the boat buyer; the market for any one model and style was insufficient to warrant the expense of automated equipment. It is reported that only one pleasure craft producer in North America today has the volume required to justify costly matched die tooling and the installation of heavy presses. This company, Molded Fiberglass Co. of Ashtabula, Ohio, currently produces a cartopper for Sears Roebuck.

(1) Broughton Cobb, Jr., "The Fiberglass Age", Yachting, January, 1970 (New York, N.Y.: Yachting Publishing Corporation)

The widespread adoption of FRP in the last twenty years has also brought some important cost benefits to consumers interested in boating. In a period of rising wage rates, and often a scarcity of skilled labour, FRP technology enabled producers to reduce the very high labour content characteristic of building wooden boats. While per capita disposable incomes were growing, FRP construction methods lowered, or at least stabilized, production costs, bringing down the cost of participation in boating to the range of the middle and lower income groups which constitute the mass market for most consumer durables including pleasure craft.

Aluminum as a Hull Material

Fibreglass reinforced plastic was not the only major new hull material to be introduced in the post-war years. There was also, during the 1950's and 1960's, a pronounced trend towards aluminum in pleasure craft construction⁽¹⁾, particularly of small craft. As with FRP, aluminum did not find an immediate market acceptance because of initial technical difficulties. Early aluminum boats, while satisfactory in fresh water, were subject to serious corrosion resulting from electric hydrolysis when used in salt water. This was subsequently corrected by the use of aluminum alloys, consisting of aluminum with magnesium and manganese, made specifically for marine use. Another important product improvement for producers of aluminum boats was the development of certain non-metallic paints. The effect of salt water on aluminum craft remains a consideration which requires special care in material selection and production methods. Progress has also been made in welding aluminum, as opposed to traditional riveting. Earlier welding processes experienced difficulties in "burn-through" of light gauge sheet and in uneven weld strength.

Like FRP boats, aluminum boats proved to be greatly superior to wooden craft in that they did not rot, had a high strength to weight ratio, required relatively little maintenance, and could be produced in volume at a relatively low cost.

Compared to FRP boat manufacture, the initial cost of equipment and tooling needed to establish production facilities for aluminum boats is high. Stretch-forming presses used to achieve compound curves are reported to range from \$250,000 to \$500,000 per unit. The high capital outlays involved in aluminum pleasure craft production have undoubtedly discouraged entry into this sector of the Canadian industry, especially in the absence of scale production. There are in Canada only fourteen establishments known to the Tariff Board which make pleasure craft of aluminum, whereas the Board estimates that there are at least 122 pleasure craft manufacturers that use FRP.

It is estimated that aluminum boats accounted for 81 per cent of all utility-type boats sold in Canada in 1971. This material is also important in the canoe market where about 39 per cent of the units sold in 1971 were of aluminum. Aluminum's popularity diminishes markedly in the manufacture of larger boats. About 13 per cent of

(1) A brief description of construction methods is contained in Chapter IV.

runabouts sold, comprising 9 per cent by value, are currently of aluminum. Aluminum is also used for houseboats and for day sailers, although these two uses are not significant in Canada. The Board is not aware of any cruising sail-boats or power cruisers of aluminum being made in Canada; some are made in the United States.

Other New Hull Materials

In addition to FRP and aluminum, as the principal new hull materials, developments in the use of some other materials deserve mention. In particular, thermoformed non-reinforced plastics, as distinct from reinforced plastics, have found application as a hull medium in the United States. Thermoformed plastics have so far been restricted to use in small craft only: sail-boats, utility-boats, and sail-boards. Among United States pleasure craft manufacturers, sail-board producers are reported to be the principal users, with ABS (acrylonitrile-butadiene-styrene) being the resin most often employed.

Thermoformed plastics have not yet been extensively applied to powered craft and the ability of these materials to withstand the stresses incurred in larger powercraft is still being explored. A further problem may be that, similar to early attempts to mechanize FRP techniques, the volume of production in any one model may not justify relatively expensive initial tooling outlays. In the United States about two thirds of all thermoformed plastic boats are under 16 feet. A number of United States-made thermoformed plastic boats are marketed in Canada. Only a few boats of this material, however, are reported as being produced domestically; one Canadian company makes pedalos of ABS and another company has indicated experimentation with this technique. In contrast to the thermosetting polyester resins presently used in FRP boat-building, which are reinforced by fibreglass, thermoformed plastics are not used with a similar reinforcing material. However, experimentation is reported in Canada involving the use of fibreglass as a reinforcement for thermoformed plastics such as polyethylene. This process may play an important future role in pleasure craft construction.

Another type of thermoplastic, PVC (polyvinyl chloride), has also found very recent application, in sheet form, as a core material employed in conjunction with FRP. This usage, mainly in cruising sail-boat and power cruiser construction, may provide a means of eliminating the high mould costs involved in large FRP boats. A plastic foam, now widely used in pleasure craft construction for flotation, represents a further technical improvement of note.

Another innovation in construction methods has been the use of balsa wood as a core material in FRP techniques. A balsa wood core acts as a stiffener, giving light-weight rigidity to an FRP structure while also acting as a thermal and sound insulator. Repairs to such laminated FRP hulls are said to be difficult and costly, however.

A modest, and presumably recently established, market exists in Canada for rubber or plastic walled inflatable craft. It proved impossible to obtain information about the sales of inflatables; according to the Tariff Board's import analysis about \$800,000 of such craft were imported in 1971.

In recent years a number of hulls have been constructed of ferro-cement, particularly in British Columbia. In this process, which has been known and experimented with since the 1930's, layers of wire mesh are laid over a hull mould and the mesh impregnated with concrete to make a steel reinforced concrete shell of great strength. The thickness of the hull required and the consequent weight, however, made ferro-cement an unsuitable material for smaller craft construction. A 1970 report by the Department of Industry, Trade, and Commerce suggested that ferro-cement hulls of less than 35 feet were impractical; however, since then, this material has been successfully used for hulls of 15 to 20 feet.

Improvements in Power Drives

Pleasure craft motors have, since the 1940's, been upgraded greatly in performance, in horsepower to weight ratios, in noise reduction and in reliability.

In 1947 the average horsepower of outboard motors sold was only 4.7 h.p. compared to an average of 35.6 h.p. in 1971. Whereas only one manufacturer in 1946 marketed a 50 h.p. outboard motor, several companies today produce outboard motors in the 140 to 150 h.p. range. Horsepower per pound has also increased. For example, a 1946 Johnson 22 h.p. motor weighed 116 pounds whereas a modern 25 h.p. Johnson motor weighs 82 pounds. Noise has been reduced through vibration-isolating flexible mounts, through underwater exhaust systems and by using better sound absorbing shields.

In 1946 the outboard motor was restricted basically to utility-type craft used for fishing but the increasing availability of reliable and high performance outboard power led to the extension of its uses to larger runabouts where it displaced expensive and hard to maintain inboard power plants. In Canada, boats of outboard design now predominate in the runabout market both in number and in dollar value largely because of the development of high-performance outboard motors. The availability of these high-horsepower outboard power plants has also been a primary reason for the growth of water skiing as a new dimension to boating activity. According to surveys of the United States market, water skiing, not fishing, is now the intended use most often cited by purchasers of outboard boats.

One of the most important innovations in recent years has been the introduction of the inboard/outboard or stern-drive motor. This motor was first produced and marketed successfully in 1960 by Volvo of Sweden and shortly gave rise to a new and now major segment of the marine motor market in both Canada and the United States. The stern-drive concept offers some of the best characteristics of the inboard engine combined with the convenience of certain outboard features. As the motor has a permanent and seaworthy placement inside the boat, greater horsepower may be applied than in a boat of equivalent length using an outboard motor. The kick-up features of the outboard motor are retained, however, affording the stern-drive version a number of advantages in trailering and beaching, and in operations where underwater obstacles are a problem. Data on the United States market indicate that pleasure craft with stern drives were the fastest growing model design in the mid and late 1960's; a parallel market trend has apparently occurred in Canada.

There has been a major trend away from the custom-built gasoline engines that were common before the war in higher-powered in-board boats. Almost all of the marine gasoline engines in use today are built from one of a number of automotive blocks. As a result of high volume production, these automotive blocks are available at low cost and the very expensive custom marine engine is no longer necessary. There is now a greater market availability also of light-weight, low-horsepower marine diesels suitable for the power needs of cruising sail-boats.

A number of boat manufacturers in the United States offer a jet-drive model, usually as an option in boats otherwise designed as stern drives. This form of propulsion, currently available from the Outboard Marine Corporation of Waukegan, Illinois, uses a standard in-board power plant adapted for a multistage pump. Water is taken in through the bottom of the boat and released under force from a stern located jet nozzle. Only a few jet-drive boats are reported as having been constructed in Canada and the popularity of this innovation in the United States is uncertain. Electric motors of low horsepower, normally used for trolling, while not a particularly recent invention, constitute a further development which may yet prove to be an attractive product idea. While a few marine turbines are said to be available, there is no evidence that turbine engines will be able to compete with the piston-type engine, on a cost basis, as a power form for pleasure craft.

An outboard motor of rotary piston design (Wankel type engine) was introduced to the public in 1973 by Outboard Marine Corporation in the United States. This motor, remarkable for its horsepower to weight ratio, may play an increasingly important role in powering pleasure craft. "Airboats" (flat-bottomed craft driven by a deck mounted airplane propeller), air cushion vehicles (hovercraft) and hydrofoils also warrant mention as other types of craft currently in use primarily for commercial or military purposes. Widespread use of these unique designs and power units in pleasure boating appears unlikely in the foreseeable future.

DEVELOPMENTS IN THE MARKET

As noted earlier, rapidly rising incomes, more leisure and a favourable age structure have all, in varying degrees, contributed to a dramatic increase in outdoor recreation and pleasure boating. These factors, supported by new construction materials and techniques and new products, have, in turn, had a strong expansionary impact on Canadian sales of pleasure craft. This section traces significant trends in the development of this market.

The Size and Growth of the Market

The domestic market for pleasure craft, excluding such major accessories and equipment as outboard motors and boat trailers, totalled \$42.3 million in 1971, based on data obtained from the Board's survey of the pleasure craft industry. This figure represents the estimated market, at manufacturers' prices, for all types of pleasure

craft in Canada and is arrived at by adding the value of production (shipments) and of imports and deducting exports. It corresponds to the figure of \$39.7 million shown in Table 3.2 which is based on Statistics Canada data.

Although the Board's survey of the industry was limited to the year 1971, it proved particularly useful in that it provided a broader coverage and more detailed information. This explains the differences in the data on market estimates obtained through the Board's survey and those derived from Statistics Canada data. When trend data are required, Statistics Canada series are used. This is the case in Table 3.2 which sets forth, for selected years over the period 1950-1972, the estimated total domestic market for pleasure craft.

The growth of the domestic market for pleasure craft and the growth in Canadian production of such craft warrant particular attention. Although the estimates of the domestic market shown in Table 3.2 are subject to certain distortions due to changes in statistical reporting⁽¹⁾ and are based on prices at manufacturers' level, they indicate with reasonable accuracy the significant growth in the demand for pleasure craft which has taken place in Canada since 1950. Most of this growth occurred in the 10-year period, 1950 to 1960, when the estimated market rose from \$2.3 million to \$12.5 million, or at an annually compounded growth rate of 18.3 per cent. The rate of growth declined in the following decade to 10.0 per cent per annum, but still the estimated market increased by a further \$20 million, from \$12.5 million to \$33 million. Pleasure craft sales rose dramatically in 1972; on the basis of Statistics Canada data, the estimated market expanded by 29 per cent during 1972 to over \$51 million. This followed an increase of 22 per cent in 1971 over 1970.

Foreign producers have supplied an increasing proportion of the rapidly growing pleasure craft market in Canada. Imports accounted for close to 30 per cent of the domestic market in 1972, compared with some 4 per cent in 1950. Market penetration by foreign producers rose sharply during the 1950's, but decreased, relatively, during the 1960's. The 1970's, thus far, have witnessed a sharp upswing in both imports and exports. On balance, the value of Canadian production of pleasure craft has exceeded somewhat sales in Canada.

In 1973, both imports and exports increased sharply; imports by 58 per cent and exports by 35 per cent. Preliminary figures on the value of factory shipments of pleasure boats indicate that sales by Canadian boat-builders in the domestic market also rose in 1973, though not as much as sales by foreign producers. Consequently, it would appear that the Canadian market for pleasure craft continued to grow vigorously, with foreign producers participating somewhat more in the market growth than domestic producers. In 1974, imports nearly doubled from the 1973 level, \$44.5 million as against \$24.1 million, while

(1) Canadian shipments are reported in Statistics Canada Annual Cat. No. 42-205, Boatbuilding and Repair Industry; the reporting format employed was altered slightly in 1959 and 1965.

exports of pleasure craft in 1974, \$23.7 million, remained essentially the same. Foreign producers, thus, increased their shipments to the Canadian market by some \$20 million. Confidential information to the Board suggests that sales of pleasure craft by Canadian boat-builders to the domestic markets also grew somewhat in 1974, though by much less than imports. It seems, therefore, that the Canadian market for pleasure craft expanded further in 1974, but that almost all of the growth went to imported pleasure craft.

Table 3.2: Estimated Domestic Market for Pleasure Craft, Selected Years^(a), 1950-1972

Year	Domestic Ship-ments ^(b) \$'000	Add Imports \$'000	Deduct Ex-ports ^(c) \$'000	Estimated Domestic Market \$'000	Imports as % of Domestic Market	Exports as % of Domestic Shipments
1950	2,731	102	506	2,328	4.4	18.5
1955	5,589	720	2,021	4,289	16.8	36.2
1960	9,988	3,869	1,317	12,541	30.9	13.2
1965	19,971	3,622	2,946	20,646	17.5	14.8
1966	23,123	3,919	3,478	23,564	16.6	15.0
1967	25,331	4,945	4,468	25,808	19.2	17.6
1968	30,076	5,923	7,392	28,607	20.7	24.6
1969	35,781	7,182	10,920	32,043	22.4	30.5
1970	37,027	6,519	10,912	32,634	20.0	29.5
1971	41,687	10,294	12,283	39,698	25.9	29.5
1972	53,186	15,275	17,236	51,225	29.8	32.4
1973	..	24,121	23,295	..	..	..
1974	..	44,494	23,666	..	..	..

(a) See Appendix A.3 for statistics for all years, 1948-1972

(b) Factory shipments data prior to 1965 are not fully comparable.

(c) Includes re-exports

Source: Derived from Statistics Canada data

Rates of growth in the estimated market for pleasure craft exceeded the growth rates in the Gross National Product and in spending on consumer durables in the period 1950-1972. The growth of the pleasure craft industry has also outstripped the rate of increase recorded in other comparable economic indicators such as total factory shipments for all manufacturing industries. As shown in Table 3.3 the growth in pleasure craft shipments has been, on average, twice that for all industry shipments. The table also shows the rate of growth in GNP as another rough basis of comparison.

Table 3.3: Average Annual Rates of Growth in Shipments of
Pleasure Craft, in All Manufacturing and GNP,^(a)
1951-1972

Period	Factory Shipments of Pleasure Craft	Factory Shipments All Manufacturing Industries	Gross National Product at Market Prices
	%	%	%
1951-1955	15.4	7.2	9.1
1956-1960	12.3	3.6	6.1
1961-1965	14.9	7.8	7.6
1966-1970	13.1	6.5	9.1
1951-1960	13.8	5.4	7.6
1961-1970	14.0	7.1	8.3
1971	12.6	8.4	8.9
1972	27.6	11.9	11.2
1973	..	..	14.9

(a) In nominal terms unadjusted for inflationary trend

Source: Derived from various Statistics Canada publications

Trends in Demand by Type of Craft

Statistics on the Canadian market by type of pleasure craft are not available from Statistics Canada publications. However, the Board's survey of the industry for the year 1971 provides useful estimates in this regard; they are presented in Chapter V.

According to the Board's calculations, the Canadian market for pleasure craft in 1971 was dominated by runabouts, accounting for nearly 39 per cent or \$16.4 million of the total domestic market of \$42.3 million, at manufacturers' prices. Sail-boats and power cruisers each represented less than half of the runabout market, or about \$8 million. The market for the other product groups was yet smaller, with utilities, \$5 million, being the largest.

The Board was able to calculate the Canadian market for each type of pleasure craft (which entailed a breakdown of published import and export statistics) for 1971 only. However, a rough indication of the growth of the Canadian market by type of pleasure craft prior to and after 1971, can be estimated from the statistics on shipments of pleasure craft by Canadian producers. It should be pointed out that shipments provide only a very rough estimate of the domestic market because not only do they include exports but they also exclude imports. The market for any given type of craft, therefore, is less than that indicated by the shipments figures for that type when Canada is a net exporter; it is, of course, greater when Canada is a net importer.

It should be pointed out also that the classification of pleasure craft used in Table 3.4 is the one used by Statistics Canada in reporting the shipments of the Boatbuilding and Repair Industry, and it may not be as strict as the classification used by the Board in its survey which forms the basis of much of this Report. Outboard

boats, for instance, probably include utilities which are normally used with an outboard motor; thus the value for outboards may be overstated while it is understated for row-boats, skiffs, and dories. Similarly cruisers and yachts include not only power cruisers but also a number of sail-boats with auxiliary power; consequently the value of sail-boat shipments in Table 3.4 is understated as well.

In spite of these classification problems and the fact, noted above, that imports and exports are not taken into account, shipments provide the only rough measure available concerning the markets for different types of craft and their rate of growth.

The value of manufacturers' shipments clearly indicate that the size of the Canadian market for most types of pleasure craft has increased since 1965. For some types this growth has been greater and more rapid than for others. Of the \$33.2 million increase in pleasure craft shipments over the 1965-1972 period (from \$19,971,000 to \$53,186,000), sail-boats accounted for 43 per cent, cruisers and yachts for 27 per cent, outboards for 9 per cent and all other pleasure craft for the remaining 21 per cent.

Table 3.4: Total Value and Percentage Distribution of Shipments of Pleasure Craft, by Type of Craft, Selected Years, 1960-1972

<u>A. Total Value of Shipments</u>						
	<u>1960</u>	<u>1965</u>	<u>1967</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
			- \$'000 -			
Canoes	393	1,042	1,252	2,375	3,708	3,972
Row-boats, Skiffs,						
Dories	900	1,052	1,305	1,724	900	2,310
Sail-boats	186	3,153	5,251	9,342	13,372	17,412
Outboard Boats	8,160	10,623	11,724	14,517	15,610	13,621
Cruisers and						
Yachts	1,000(a)	2,321	4,548	7,200	6,011	11,334
Other	351	1,780	1,251	1,869	2,086	4,537
<u>Total</u>	10,990	19,971	25,331	37,027	41,687	53,186
<u>B. Percentage Distribution</u>						
Canoes	3.6	5.2	4.9	6.4	8.9	7.5
Row-boats, Skiffs,						
Dories	8.2	5.3	5.2	4.7	2.2	4.3
Sail-boats	1.7	15.8	20.7	25.2	32.1	32.7
Outboard Boats	74.2	53.2	46.3	39.2	37.4	25.6
Cruisers and						
Yachts	9.1	11.6	18.0	19.4	14.4	21.3
Other	3.2	8.9	4.9	5.0	5.0	8.5
<u>Total</u>	100.0	100.0	100.0	100.0	100.0	100.0

(a) Rough estimates only; separate statistics on cruisers and yachts are not available prior to 1965 but shipments are estimated at \$1 million in 1960, about one half of total motor boat shipments.

Source: Derived from Statistics Canada data

Probably the most remarkable performance has been in the sail-boat market in Canada. Sail-boats rose from 1.7 per cent of factory shipments in 1960 to 32.7 per cent in 1972, as shown in Table 3.4. Even after allowing for net exports of sail-boats, \$6.8 million in 1971, it is evident that the domestic market for sail-boats has been expanding at a very rapid rate. It would seem that the growth of the domestic market for power cruisers and yachts has also outpaced the growth of the pleasure craft market as a whole. The domestic market in 1971 exceeded industry shipments, because Canada, in spite of exporting 44 per cent of its output, was a net importer in that year, by some \$.7 million (See Table 5.1). The growing relative importance of power cruisers and yachts in industry shipments reflects not only expanding export shipments, but the growth of the domestic market as well. The market for canoes has, apparently, also grown rapidly since 1960, notwithstanding a trade surplus of \$322 thousand of net exports in 1971.

The strong performance of sail-boats, power cruisers and yachts, and canoes in the Canadian market has obviously been at the expense of other types, since most people prefer one boat over another. The Canadian consumer has shifted his preference to more spacious and more comfortable boats requiring more power, and to boats which require personal boating skill. The relative loser in the market has been the more utilitarian type of craft requiring neither great skill nor offering a great deal of personal comfort. The runabouts are still the most important type of craft in terms of share of the market, but their relative position has declined sharply. The shifts in purchaser preference referred to above, are also apparent within the runabout group, that is, the domestic market for the more expensive, more luxurious, inboard/outboard type has grown much more rapidly than the market for the straight outboard type. This has certainly been the trend in the United States, as shown in Table 3.5, and a parallel development in Canada seems likely.

Table 3.5: Outboard and Inboard/Outboard Boat Sales in the United States, Selected Years 1960-1973

	Number of Units Sold					
	1960	1963	1965	1971	1972	1973
Outboard Boats	294,000	245,000	250,000	278,000	375,000	448,000
Inboard/Outboard Boats	-	8,000	17,000	44,000	63,000	78,000

Source: Market Research Department, International Marine Expositions Inc., The Annual Market Research Notebook - The Marine Notebook, 1971 (Chicago, Ill.: International Marine Expositions Inc.); The Boating Industry January, 1974 (Cahners Publishing Co. Inc., New York, N.Y.)

It has been noted previously that new construction materials, new construction techniques, and the development of new and better products has enabled the boat purchaser to get more boat for his money, and that the purchaser has been inclined towards bigger and/or higher-powered boats. The combination of these two factors is reflected by the average unit price received by manufacturers. Appendices A.4 and

A.5 show that, in spite of some very pronounced year-to-year fluctuations, the average price received has risen steadily and appreciably: from \$342 in 1960 to \$717 in 1972, a rise of 109 per cent. While inflation accounts for some portion of this increase, according to the selling price index for the industry between 27 and 30 percentage points, most of the increase in average unit value represents the trading up into larger and more expensive models. A fuller discussion of the various factors and developments relating to the demand for pleasure craft will be found in Chapter V.

PLEASURE CRAFT MANUFACTURING IN CANADA

As already noted, pleasure craft producers are not identified by Statistics Canada as constituting a separate industry; they form part of the Boatbuilding and Repair Industry. However, producers of pleasure craft comprise by far the most important group within the Boatbuilding and Repair Industry. In 1972, for example, total boat shipments were valued at \$58.4 million of which \$53.2 million were pleasure craft. Thus, where satisfactory statistical information regarding the pleasure craft industry could not be obtained, reference to data for the Boatbuilding and Repair Industry as a whole is useful and is quite frequently used in this Report.

The principal pleasure craft manufacturing statistics for 1971 are set out in Table 3.6. These and others are examined in greater detail in the next chapter, dealing with production, costs, productivity and competitiveness.

Table 3.6: Pleasure Craft Manufacturing, by Product Group, 1971

Product Group	Estab-lish-ments	Produc-tion Workers ^(c)	Units		Value ^(a)	
			Number	% of Total	\$'000	% of Total
Canoes	35	721	22,892	32.2	3,171	7.2
Utilities	38	584	26,043	36.7	4,238	9.6
Runabouts	44	874	13,991	19.7	13,520	30.5
Sail-boats	43	1,021	4,492	6.3	14,730	33.2
Power						
Cruisers	25	404	359	0.5	6,721	15.2
Others ^(d)	14	176	3,273	4.6	1,939	4.4
<u>Total</u>	137 ^(b)	2,409 ^(b)	71,050	100.0	44,319	100.0

(a) Value of factory shipments

(b) Total is not additive; many establishments produce more than one type of craft.

(c) Partly estimated

(d) Includes inflatables, houseboats, multihull sailcraft, pedal-boats or pedalos, scooters, etc.

Source: Tariff Board Survey and Statistics Canada

Number and Size of Establishments

Statistics Canada reported 239 establishments in the "Boatbuilding and Repair Industry" for 1972. These would include most pleasure craft producers, but not all. For example, the Aluminum Company of Canada, Chrysler Canada Outboard Ltd., and Fabricated Steel Products (Windsor) Limited, although major boat-builders, are not so classified because boat-building is not their principal manufacturing activity. On the other hand, the establishments classified to the Boatbuilding and Repair Industry include a large number of enterprises not manufacturing pleasure craft; for example, builders of commercial boats only and a large number of establishments, principally marinas and boat-yards, doing repair and service work only.

The Board, in carrying out its survey of the industry for 1971, found that there were, in that year, 184 establishments engaged at least to some extent, in the production of pleasure craft. The list is not complete because a number of small enterprises, as well as recent entrants into the industry, may not be recorded. Moreover, of the 184 establishments, only 137 responded to the Board survey. However, the value of production of the unrecorded and non-responding establishments is believed to be small.

A number of the 184 establishments, while normally constructing pleasure craft as a principal business⁽¹⁾, were also engaged in commercial boat construction, in the production of oars, paddles, boat trailers and related marine accessories; they also often received significant revenues from repair services and storage, both for commercial and pleasure craft. A number of these establishments also manufactured or constructed products not related to the marine industry such as snowmobile cabins, containers, children's snow sleds and industrial fibreglass mouldings.

A characteristic of the pleasure craft industry, and for that matter of the Boatbuilding and Repair Industry as a whole, is the very small size of the business units engaged in this activity. In 1971, the average size of manufacturing establishments in Canada, based on value of shipments, was \$1.6 million.⁽²⁾ The estimated average value of shipments of establishments producing pleasure craft in 1971, was \$323,499, with by far the largest number of establishments falling well below this level, as shown in Table 3.7.

(1) Appendix B.1 lists the principal types of pleasure craft manufactured by each establishment.

(2) Statistics Canada reported a total of 31,908 manufacturing establishments with value of shipments of goods of own manufacture recorded as \$50.3 billion.

Table 3.7: Distribution of Establishments According to
Value of Shipments of Pleasure Craft, 1971

<u>Producing</u>	<u>Number of Establishments</u>	<u>Value of Shipments</u> \$
Under \$25,000	26	304,406
\$ 25,000 to \$ 99,999	36	2,197,076
\$ 100,000 to \$ 199,999	26	4,041,217
\$ 200,000 to \$ 499,999	25	7,240,573
\$ 500,000 to \$ 999,999	13	9,901,087
\$1,000,000 to \$4,999,999	11	20,634,955
Over \$5,000,000	-	-
Establishments surveyed by the Board	137	44,319,314 ^(a)
Establishments not surveyed	47	..
<u>Total Establishments</u>	184	..

(a) Includes production of establishments not covered by
Statistics Canada

Source: Tariff Board Survey and Statistics Canada

The production of pleasure craft is concentrated in a relatively few large firms, as Table 3.7 illustrates. Only eleven establishments produced over \$1 million each. The twenty-four establishments with shipments over \$500,000 produced 69 per cent of the total output of pleasure craft. Some eleven establishments produced less than \$10,000 and eighty-eight had shipments under \$200,000.

Production by Product Group

As shown in Table 3.6, Canada's sailcraft producers now constitute the largest single sector of the industry, accounting for approximately one third of domestic pleasure craft production by value. At first glance, the importance of sail-boat manufacture is surprising because it is known that there is less sailing done in Canada than most other forms of boating activity (Appendix A.1 refers). The explanation is that the sailcraft sector of the pleasure craft industry is export-oriented; an estimated 54 per cent of sail-boat production was exported in 1971, mainly to the United States. Sail-boats without auxiliary power, principally day sailers, account for most of the production in terms of numbers whereas, in terms of value, the production of auxiliary sail-boats is greater.

Table 3.6 also shows that runabouts presently are the second largest category of pleasure craft, by value of production, made in Canada. Runabouts of the outboard design dominate both on the basis of value produced and units shipped. On a value basis, the production of inboard/outboard runabout models is substantial, however, comprising

in 1971, 36 per cent of total runabout shipments. Few runabouts of the sraight inboard design are now made in Canada. Only a very minor part of domestic runabout production of \$13.5 million is exported. On the other hand, Canada imports a significant number of runabouts.

Power cruisers represent the third most important product group, comprising about 15 per cent of the value of pleasure craft production. Most of these are over 23 feet in length and provide overnight facilities.

Canoes and utility-boats comprise 17 per cent of total shipments in value, although their numbers are substantial - 32 and 37 per cent of total production, respectively.

The relative importance of the various product groups in the Canadian pleasure craft industry varies significantly from that in the United States industry, as indicated in Table 3.8.

Table 3.8: Distribution of Pleasure Craft Production, by Product Group, in Canada and the United States

Product Group	United States		Most Comparable Canadian Percentages ^{(b) (c)}
	Value of Shipments ^(a)	Per cent ^(c)	
		of Total Shipments	
	\$ million	%	%
Canoes & Utilities	74.6	10.1	19.0 ^(d)
Runabouts	265.5	35.9	30.5
Cabin Cruisers	259.2	35.0	15.2
Sail-boats	84.6	11.4	33.2
Houseboats	55.7	7.5	2.1
Sub-total	739.6	100.0	100.0
Not Specified	190.9	-	-
<u>Total</u>	930.5	-	-

(a) Based on U.S. Department of Commerce 1972 data

(b) Based on Tariff Board Survey, 1971 data

(c) The two sets of figures are not exactly comparable because the production years and the product groups differ.

(d) Includes "other boats" comprising 2.2 per cent of total pleasure craft production

Source: Tariff Board Survey and U.S. Department of Commerce

Perhaps the first point to note is the relative size of the pleasure craft industry in Canada as a whole compared to that in the United States, some \$50 million against \$930 million, in 1972. Furthermore, pleasure craft manufacture in the United States centers upon the construction of powercraft. Runabouts, cabin cruisers and houseboats comprise 78 per cent of total shipments in contrast to 48 per cent in

Canada. The most noticeable single difference, however, concerns sail-boats. As a product group, sail-boats account for only 11 per cent of United States shipments compared to 33 per cent in Canada. The greater importance of sail-boats in the Canadian industry is a reflection of the large proportion of sail-boats being exported by Canadian manufacturers. Similarly, small craft production in Canada (canoes and utilities) is also proportionately more important in Canada than in the United States.

As already noted, a large proportion of the Canadian production of sail-boats is exported. For this and other reasons, it cannot be expected that the present differences in the patterns of production in Canada and the United States will tend to disappear although the extent of the difference might well fluctuate over a period of time.

Regional Location and Concentration

Although some boat-building takes place from coast to coast, more than one half of the value of pleasure craft production is concentrated in Ontario. British Columbia and Ontario, or Quebec and Ontario, together account for almost three quarters of the total value of pleasure craft production in 1971. Although there are a number of pleasure boat manufacturers in the Winnipeg area, production in the three Prairie Provinces comprises only 4 to 5 per cent of total production. The four Atlantic Provinces account for only about 4 per cent of total pleasure craft production; boat-building there, with only a few notable exceptions, is oriented to the local fishing industry and consists mostly of very small-scale custom builders employing traditional wood construction techniques.

Pleasure craft construction in Ontario and Quebec, however, consists of much larger plants and the largest companies in the industry are located there. While there are a number of large firms in British Columbia, many of the seventy-six establishments recorded by Statistics Canada as being in the Boatbuilding and Repair Industry, are small and do a mixed construction and repair business for both commercial and pleasure craft.

Most commercial craft built for use in transport or fishing are constructed by establishments classified to the Shipbuilding and Repair Industry. However, the Boatbuilding and Repair Industry, while primarily consisting of pleasure boat manufacture, also includes some commercial construction and repair activity. In 1971, for example, total shipments for boatbuilding and repair are recorded at \$50.9 million of which an estimated \$6 to \$7 million appears to represent commercial shipments and repair. Most of the commercial activity occurs in British Columbia (about \$4 million) and in the Atlantic Provinces (about \$2 million).

There is a high concentration within the provinces where the bulk of the pleasure craft industry is located: an estimated three quarters of the production of the industry, by value, takes place within a 100-mile radius of the three cities of Montreal, Toronto and Vancouver.

Three Tables (4.3 to 4.5) in Chapter IV illustrate the foregoing; they also show the location/concentration of production workers and the regional distribution of production by main types of pleasure craft.

Employment and Wages

The subject of employment and wages will be dealt with at greater length in Chapter IV and is reviewed here only briefly.

The pleasure craft industry is a relatively small one employing an estimated total of 2,900 people in 1971. It is estimated that 450 to 500 of these employees are in establishments⁽¹⁾ classified by Statistics Canada to industries other than Boatbuilding and Repair. There are, of course, seasonal fluctuations in employment in this labour-intensive industry, the peak period being April to June and the low, from September to December. The industry is a relatively low-wage one, with average hourly earnings in 1971 being 16 per cent below the average for all manufacturing industries and 24 per cent below the composite for all durable goods producing industries. Wage rates vary according to the type of pleasure craft being built, with higher rates being paid in the construction of cruisers and cruising sail-boats where the skills of mechanics, electricians and cabinet-makers are needed. Wage differentials in the pleasure craft industry between the geographic regions of Canada follow patterns similar to those found in other industries. Wages are lowest in the Atlantic Provinces, Quebec and the Prairie Provinces, and highest in British Columbia and Ontario.

It is estimated that wage rates in the Canadian boat-building industry have ranged from 70 per cent to 86 per cent of the rates paid in that industry in the United States. However boat-builders in certain areas or locations in Canada may very well pay higher wage rates than some of their competitors in the United States. Wage rates in the Canadian boat-building industry have, in the past, on average, been lower than the rates paid in that industry in the United States. The difference, on average, amounted to, at least, 20 per cent during the 1960's. During the 1970's, however, this difference has diminished sharply; in 1973 it was about 12 per cent and preliminary information for 1974 and early 1975 suggests that it may have diminished further to less than 5 per cent. Increasingly, boat-builders in certain areas or locations in Canada are paying wage rates which are equal to, if not higher than, those paid by their competitors in the United States. Productivity, as measured by value added per employee, in the Canadian industry has also been lower than that in the United States industry. This lower level of productivity was, in fact, offset by lower wage costs, giving the Canadian industry, on average, an advantage in labour costs per unit of output. It would seem that this advantage has, for a number of Canadian producers, disappeared in recent years.

(1) According to the Board's survey of the pleasure craft industry, there were some twenty-three such establishments in 1971, some of them being major pleasure craft manufacturers.

Tables in Chapter IV illustrate the foregoing. Another set of tables in that chapter attempts to estimate labour productivity in the Boatbuilding and Repair Industry as well as the pleasure craft industry; breakdowns are estimated by size of establishment and by region and some comparisons are made of productivity performance, as well as of unit labour and total production costs, in Canada and the United States.

Sources of Raw Materials

The pleasure craft industry makes use of four principal types of raw materials in its manufacturing activity: fibreglass, plastic resins, aluminum and wood. Fibreglass reinforced plastic (FRP) construction easily dominates in present day pleasure craft construction. Of the raw materials used by FRP boat producers, the fibreglass raw material normally constitutes the most important single cost item. In larger FRP boats, such as cruising sail-boats and cabin cruisers, in which expensive wood-work is often featured, wood is sometimes the major raw material cost.

Fibreglass reinforcement for boats is used in four forms:

1. as a chopped strand mat which consists of glass fibres randomly deposited to form a matting;
2. as a continuous filament which is chopped up at time of use and mixed with resin and catalyst as a spray (choppable roving);
3. as woven roving; and
4. as a cloth or fabric.⁽¹⁾

In Canada, only one producer, Fiberglas Canada Limited, Guelph, Ontario, makes the chopped mat or the continuous filament for spray-up used in FRP boat construction. Boat manufacturers purchase these materials either directly from Fiberglas Canada or from distributors of fibreglass materials. This company does not produce woven roving or woven cloth; they are made by textile mills and are purchased by boat-builders from the mills or from dealers. However, Fiberglas Canada is, again, the only Canadian producer of the fibreglass material needed by the textile industry to produce woven fibreglass products. From information submitted to the Board, it is evident that almost all Canadian pleasure craft manufacturers buy domestically-made fibreglass materials.

The four types of fibreglass described above may be used more or less interchangeably, although woven products are, per pound, considerably more expensive than mat or chopped strand for spray-up. Production techniques using fibreglass differ, even between companies making very similar FRP boat models. Some manufacturers make extensive use of spray-up techniques employing choppable roving. Others rely on

(1) Fiberglass cloth or fabric is woven from a yarn which has been twisted and plied. Roving consists of grouped, continuous glass fibres, not twisted or plied, which when woven constitute woven roving.

the hand lay-up of mat or woven products exclusively. According to industry surveys done by Fiberglas Canada, the usage breakdown of these fibreglass types by FRP boat-builders in Canada is, by weight, 55 per cent mat, 25 per cent choppable roving, and 20 per cent woven roving or fabric. Thus fibreglass mat appears to be by far the most commonly used type of fibreglass reinforcement in boat-building.

The plastic content in an FRP structure is introduced in the form of polyester resins. These resins are applied as a spray or are brushed onto the fibreglass material. While the strength of an FRP hull is provided by the fibreglass reinforcement, plastic resins account for most of the hull weight. Resins are purchased in liquid form in drums, normally through dealers specializing in marine supplies. Larger users, with storage facilities, may purchase in carloads at a saving. According to information provided by the Society of the Plastics Industry of Canada, there were, in 1971, ten polyester resin producers in Canada. Reichold Chemicals (Canada) Limited, Uniroyal Chemical, Division of Uniroyal Ltd.⁽¹⁾, and the Glidden Company, Division of SCM (Canada) Ltd., all in Ontario, are believed to be the major Canadian suppliers. According to Uniroyal Chemical, approximately one fourth of the polyester resins produced in Canada is used in the fabrication of boats.

Marine aluminum in sheet or roll form is the primary raw material used by manufacturers of aluminum boats and canoes. Aluminum extrusions, regarded here as a raw material, are also used for the ribbing, keels, and many trim parts of the typical aluminum canoe or car-topper. Most FRP manufacturers also make considerable use of aluminum which often comprises a major component in the cost of the raw materials used; main uses are for trim, windshield frames for runabouts, and for masts, spars, and spar hardware on sail-boats. Anodized extrusions, formed by treating aluminum with an electrochemical process to retard oxidation, are apparently preferable, especially where boats are to be used in salt water. In Canada, the main suppliers of aluminum in sheet or coil form are believed to be the Aluminum Company of Canada and Reynolds Aluminum of Canada Ltd. These companies, as well as several others, also make extrusions for use in pleasure craft production.

All boat manufacturers use wood to some extent. For FRP boats, soft woods such as fir and pine, in both plywood and lumber form, are employed largely for structural purposes. Hardwoods, mainly teak and mahogany, are used for interior finishing in sail-boats and power cruisers and also for exterior surfaces in many other types of boats. A balsa wood product comprised of small, joined balsa squares is often used, also, for FRP deck and hull structures, chiefly in sail-boats. The few builders of wooden pleasure craft in Canada use various types of wood. Smaller utility-type craft are built using various plywoods. For wooden hulls for power cruisers and sail-boats, Douglas fir plywood is widely used along with plywoods of various mahogany species. For solid wooden hulls, hardwoods such as oak, elm, larch and mahogany are

(1) Fiberglas Canada Limited in 1972 purchased the rights to the trademark and technology of Uniroyal Ltd. and have erected a resin plant at Guelph, Ontario. Uniroyal Ltd. no longer produces polyester resins.

normally used. A few large hulls are currently being made of a laminate of FRP and wood, in which the plywood sheeting of the hull is covered with an FRP exterior.

Most Canadian pleasure craft manufacturers use raw materials which are made in Canada. Two major exceptions to this are certain hardwoods which are not available in Canada and aluminum in sheets or coils which are sometimes imported from Europe or the United States, to take advantage of lower prices.

FOREIGN TRADE IN PLEASURE CRAFT

Canada's trade in pleasure craft is very largely with the United States. Imports from the United States presently account for over 89 per cent of total imports of pleasure craft. About 93 per cent of Canada's exports are to the United States.

Import and export studies by the Board, supplemented by Statistics Canada figures, are detailed in Appendices A.6 to A.15 and discussed in Chapter VI. The latter examines a number of other aspects relating to trade in pleasure craft which are not covered here, such as its regional distribution and the impact of governmental programs.

The level of trade in pleasure craft, both imports and exports, has expanded dramatically since 1970: imports have gone from \$6.5 million to \$44.5 million in the 1970-1974 period, and exports have increased from \$11.0 million to \$23.7 million.

The more rapid growth of imports resulted, in 1973, in a deficit of \$800,000 in Canada's over-all balance of trade in pleasure craft, the first since 1967. Prior to 1968 a trade deficit was usual, due largely to Canada's deficit position with the United States. The small deficit occurring in 1973, however, widened very greatly in 1974. As a result of a pronounced upsurge in imports in 1974, together with relatively static export sales, imports of pleasure craft exceeded exports by \$20.8 million in that year. Canada's trade balance in pleasure craft has thus changed abruptly. The large and sudden over-all deficit in Canadian trade in pleasure craft in 1974 was primarily the result of trade with the United States; a surplus of \$5 million in 1970 declined to \$700,000 in 1973 and turned into a \$17.7 million deficit in 1974. As in the past, Canadian trade in pleasure craft with other countries such as the United Kingdom, Western Europe, Hong Kong, Taiwan and Japan, continued in deficit in 1974.

The import and export data provide an indication of the strengths and weaknesses of the various sectors of the Canadian pleasure craft industry. Canada's sail-boat producers are, as noted earlier, very competitive; despite the major trade deficit in 1974 for pleasure craft generally, exports of sail-boats greatly exceeded imports. Canadian canoe makers have been able to maintain their position in the domestic market and appear to have, as well, established a modest export market in the United States. Domestic producers do not compete well with United States manufacturers in the runabout field, however, and this is the domestic industry's weakest sector as regards competitiveness and trade. According to the Board's detailed study, imports of runabouts totalled about \$2.9 million in 1971, whereas exports of runabouts were negligible. Canadian producers have expressed the view

that the Canadian powercraft market is particularly exposed to import competition from the United States in larger outboard boats and stern drives. Similarly, in 1971, power cruiser imports were about \$3.5 million against exports of \$2.6 million; imports of utility-type boats and inflatables amounted to \$1.5 million while exports of both these categories of craft were negligible.

Imports

Imports from countries other than the United States are not very significant. Canadian imports of pleasure craft from each of these countries appears to have levelled out at less than \$1 million. On the other hand, imports from the United States have been growing steadily in the past ten years, with a spectacular increase of some \$18 million from 1973 to 1974. In 1974 the United States was again accounting for over 89 per cent of all imports, only slightly below the percentage it held in the early sixties; the lowest United States share was about 78 per cent in 1970.

Table 3.9: Pleasure Craft Imports^(a) by Country of Origin, Selected Year, 1960-74

Year	U.S. \$'000	U.K. \$'000	Hong Kong, Taiwan & Japan \$'000	Italy France & W. Germany \$'000	Other \$'000	Total \$'000	U.S. as % of Total %
1960	3,469	157	86	67	90	3,869	89.7
1962	2,578	107	56	74	65	2,880	89.5
1965	3,141	160	157	89	74	3,622	86.7
1967	3,944	307	170	113	411	4,945	79.8
1969	5,916	527	373	144	221	7,182	82.4
1970	5,111	497	426	189	296	6,519	78.4
1971	8,302	537	542	354	560	10,294	80.6
1972	12,262	518	986	742	767	15,275	80.3
1973	21,312	500	769	741	798	24,121	88.4
1974	39,697	514	1,113	749	2,420	44,494	89.2

(1) Imports are valued f.o.b. country of origin

Source: Statistics Canada

After rising at a more or less constant rate during most of the 1960's, imports are now at nearly seven times that recorded in 1970. It would appear that this increase reflects a pronounced upsurge in powercraft imports (stern drives and cabin cruisers) from the United States. It seems also that the increase in recent years in imports from Taiwan and Japan⁽¹⁾ is in small inflatable craft. The increasing

(1) Toy rafts and floats appear to constitute a large proportion of these imports from Japan and Taiwan. In 1974 the average unit value of Japanese imports was only \$32.99; for imports from Taiwan, average unit value was only \$13.71.

popularity of inflatable craft also appears to account for the growing volume of imports from both France and Italy. Most of the pleasure boats imported from Hong Kong in recent years are thought to have been large, auxiliary-powered sail-boats.

Because the import data collected by Statistics Canada do not provide sufficient detail for its purposes, the Board undertook a study of imports for the twelve-month period, March 1971 to February 1972. Imports totalling \$9.7 million were classified in a variety of ways: product groups, dollar value, number of units, country of origin, construction material and length of craft. The principal results of this study are summarized in Table 3.10. More information pertaining to this analysis of imports is discussed in Chapter VI and set out in Appendices A.9 to A.11 inclusive.

Table 3.10: Pleasure Craft Imports by Product Group,
March 1971 to February 1972

Product Group	Quantity No.	Value ^(a) \$	Unit Value \$	Qty as % of Total %	Value as % of Total %
Canoes	434	64,144	148	0.7	0.7
Utility	4,611	777,821	169	7.4	8.0
Runabouts	2,468	2,902,585	1,176	3.9	29.9
Sail-boats ^(b) and Sail-boards	2,158	1,143,421	530	3.5	11.8
Power Cruisers	372	3,445,659	9,263	0.6	35.6
Inflatables	49,553	742,960	15	79.3	7.7
Others ^(c)	577	291,767	506	0.9	3.0
Unclassified ^(d)	2,323	323,596	139	3.7	3.3
<u>Total</u>	62,496	9,691,953	155	100.0	100.0

(a) Value f.o.b. country of origin

(b) Monohull sailcraft only

(c) Includes houseboats, pontoon boats, kayaks, pedal-boats and all multihull craft

(d) Imports which could not be classified by type of boat

Source: Tariff Board Analysis of Imports

Runabout and power-cruiser imports, by value, constitute an estimated 66 per cent of all pleasure craft imported into Canada, while sail-boats and sail-boards account for only 12 per cent of total imports. As indicated by the comparatively low unit value of sail-boats and sail-boards imported (\$530), they fall mostly into the small, day-sailer category. By number, 84 per cent of the sail-boats and sail-boards imported (2,158) were less than 15 feet in length.

Canada imports large numbers of inflatable craft. While some of these are large enough for use with an outboard motor, the bulk of them consist of small, inexpensive rafts and floats and their inclusion distorts the statistical results presented. If inflatables are excluded from the totals shown, powercraft would account for 71 per cent of imports by value and 22 per cent by number. While imports of utility-boats are currently very large in number, this product group accounts for only 8 per cent of the total value of imports in the period surveyed, roughly the same percentage as inflatables.

Exports

Foreign sales of Canadian-made pleasure craft, which totalled \$23.7 million in 1974, are almost all made in the United States market which took about 82 per cent of total exports in 1962 and about 93 per cent in 1974. Although the United Kingdom, Western Europe and the West Indies may be identified as other exports markets, they have not been significant.

Table 3.11: Exports^(a) of Pleasure Craft, by Country of Destination, Selected Years, 1960-74

<u>Year</u>	<u>U.S.</u> \$'000	<u>U.K.</u> \$'000	<u>Western</u> <u>Europe</u> \$'000	<u>West</u> <u>Indies</u> \$'000	<u>Other</u> \$'000	<u>Total</u> \$'000	U.S. as % of <u>Total</u> %
1960	1,187	22	19	72	18	1,317	90.1
1962	818	70	90	9	8	995	82.3
1965	2,731	11	90	110	4	2,946	92.7
1967	4,377	15	22	44	9	4,468	98.0
1969	10,130	53	116	380	242	10,920	92.8
1970	10,301	69	34	221	287	10,912	94.4
1971	12,005	26	207	30	15	12,283	97.7
1972	16,649	79	233	127	148	17,236	96.6
1973	21,985	185	338	329	458	23,295	94.4
1974	22,027	49	796	566	228	23,666	93.1

(a) f.o.b. point of consignment; includes re-exports

Source: Statistics Canada

In addition to the Board's detailed study of pleasure craft imports for the year 1971, the Board was also able to survey in some detail the type of pleasure craft exported by Canadian boat producers. A total of thirty-nine companies was included in the export study which was based on information received in response to the Board's industry survey. The foreign shipments reported by these companies for 1971 totalled almost \$11 million, a figure approximately equal to 90 per cent of total pleasure craft exports in 1971.⁽¹⁾ Thus the results of the export study, as summarized below, are quite representative.

Table 3.12: Exports^(a) of Pleasure Craft, by Product Group, 1971

Product Group	Quantity	Value	Unit	Percentage of Total	
	No.	\$'000	Value \$	Quantity %	Value %
Canoes	2,424	348	143	36.2	3.2
Utility-boats	940	105	112	14.0	1.0
Runabouts	290	152	523	4.3	1.4
Sail-boats	1,420	7,136	5,025	21.2	65.2
Power Cruisers	74	2,617	35,367	1.1	23.9
Other Boats	1,557	594	381	23.2	5.4
<u>Total</u>	6,705	10,952	1,633	100.0	100.0

(a) Value of shipments f.o.b. plant

Source: Based on Tariff Board Survey

Canadian pleasure craft exports consist mostly of sailcraft, which in 1971, comprised about 65 per cent of all foreign sales. Trade statistics published by Statistics Canada record, as from 1973, export statistics for sailcraft. These amounted to \$16.1 million in 1974, or 68 per cent of total pleasure craft exports of \$23.7 million in that year. This percentage accords with the results of the Board's 1971 import study (65.2 per cent) and would seem to indicate that the composition of pleasure craft exports has changed little between 1971 and 1974, although total exports almost doubled over that period.

Virtually all export sales are comprised of sail-boats and power cruisers, the latter representing 24 per cent of total value of exports in 1971. All other types of pleasure craft account for only some 11 per cent of exports by value. Canada presently exports relatively few runabouts and utilities, while canoes comprise the most important export category among the smaller boats.

(1) The Board surveyed export sales amounting to \$10,952,000. Total pleasure craft exports in calendar 1971 as published by Statistics Canada was \$12,282,596. In the Board's figure some fiscal year sales data were included, thus the two figures are not strictly comparable.

Ballasted or permanent keel sailcraft with auxiliary power comprise the majority of sail-boat exports. Sail-boats in this category, which were all over 26 feet in length and of FRP construction, accounted for about three-fourths, by value, of all sail-boats exports. Although exports of non-ballasted (centre-board) sail-boats without auxiliary power dominated on a quantity basis, total export value of this type of sail-boat was comparatively small.

From a comparison of factory shipments data and export figures, it is estimated that about 54 per cent, by value, of all sail-boats made domestically in 1971 was exported; about 44 per cent of Canadian power cruiser production was exported, and export sales accounted for about 12 per cent of total canoe shipments.

ASSOCIATED INDUSTRIES

A number of industries, both large and small, supply and service the pleasure craft industry and recreational boat users. Major examples are manufacturers or producers of outboard and inboard/outboard motors, inboard marine engines, marine hardware, boat trailers, life-saving equipment, sails, marine oil and gas, electronic gear, water skis, paints and cordage. Boat and power unit repairs, marina services, boat and motor storage, marine insurance and boat moorage are the principal services supplied.

Even though most of these products, and of course all of the services supplied by the associated industries, are not considered by the Board to fall within the scope of this Reference for purposes of tariff rate recommendations, some discussion of them is relevant to a fuller knowledge of the pleasure craft industry.

The purpose of this section is to describe briefly the service sector related to pleasure boating, particularly marinas. There is also some discussion of parts, ancillary equipment, and accessories; a fuller discussion is provided in Chapter VII. As noted before, the Minister, in his letter of reference, directed the Board's attention to four tariff items "as they relate to parts of, or equipment" for pleasure craft; he also asked the Board to include in its study such other tariff items "related to component parts of pleasure craft" as it may consider relevant to its inquiry. The tariff issues respecting parts, equipment and accessories are considered in Chapter VIII.

There is very little statistical information available in Canada pertaining to the markets for the associated products and services used by the industry and by boat owners. Some indication of their relative importance may be derived from the following statistics referring to recreational boating in the United States:

Table 3.13: Expenditures Relating to Recreational Boating
in the United States; 1971 and 1973

	1971	1973
	(Value in millions)	(number in '000s)
Spent at the retail level for new and used equipment, services, insurance, fuel, mooring and launching fees, repairs, and boat club memberships	\$ 3,610.0	\$ 4,245.0
Outboard motors sold - Value	\$ 362.3	\$ 501.3
Number	495	585
Boat trailers sold - Value	\$ 53.2	\$ 94.4
Number	220	330
Fuel consumed in pleasure craft operation (million gallons of gasoline)	1,100	..
Marine electronic gear shipped by manufacturers to the boating market	\$ 21.0	..
Life saving equipment sold (wholesale prices)	\$ 11.5	\$ 15.0
Water skis sold (pairs and single skis)		
Value	\$ 45.0	\$ 63.0
Number	1,100	1,300
Air conditioners sold (units)	10,500	14,200

Source: The Boating Industry, January 1972 and 1974, Cahners
Publishing Co. Inc., New York, N.Y., U.S.A.

Parts, Ancillary Equipment and Accessories

Pleasure craft manufacturers purchase a wide variety of parts, ancillary equipment and accessories which are needed to assemble a finished product. Typical requirements for runabouts are windshields, steering wheels, seats and marine hardware such as chocks, cleats, bow-eyes, running lights, control cables, and handrails. Included as purchases for sail-boats are sails, rigging and marine hardware. For large cabin cruisers, costly items are generally involved such as refrigerators, galley stoves, heads, carpeting, and electronic equipment such as radar and radio. The value of ancillary equipment, accessories and parts included in a manufacturer's standard model varies according to market demand and, to some extent, individual practice. Optional equipment desired by boat purchasers may be either ordered and installed by the manufacturer or supplied and installed by others such as retail marine dealers, or installed by the purchaser himself.

Little information is available on the Canadian market for parts, equipment, and accessories for new pleasure craft construction and for replacement purposes. Information submitted through the Board's survey suggests that this sort of equipment, excluding power units and assembly, comprises 23 per cent of the factory cost of most outboard runabout models, 17 per cent of stern-drive models, and 16 per cent and 10 per cent, respectively, for sail-boats and power cruisers (See Table 4.6).

It is estimated that purchases in Canada of parts, equipment and accessories, both for new boat construction and for serving the aftermarket, was \$25 to \$30 million in 1972. This estimate is at the manufacturers' price level and excludes marine motors and engines. If the latter are included, the 1972 market for pleasure craft parts, equipment and accessories is probably some \$60 to \$65 million.

Whereas the Canadian pleasure craft industry procures approximately 70 per cent of its raw material needs from domestic sources, parts, ancillary equipment and accessory items are largely imported. Furthermore, with the exception of outboard motors, all marine motors and engines are imported.

Marine Power Units

Pleasure craft are powered by outboard motors, by inboard/outboard motors or by gasoline or diesel inboard engines. Electrically-driven outboards are also available. Although diesel inboards have the advantages of lower operating costs, greater safety and longer life expectancy, they are seldom used because of the lower initial cost and comparatively lighter weight of gasoline engines. For boats using inboard power, such as larger runabouts, power cruisers and cruising sail-boats, power plants are normally installed at the factory. Large marine dealers and distributors, equipped with the necessary facilities, may install stern-drive units. Engines and assemblies, including shafts, propellers, steering linkages, instruments, etc., represent a major cost item for most boat producers constructing larger inboard-powered craft.

By far the largest number of pleasure craft - outboard runabouts and larger utility-boats - are designed for use with outboard motors which are purchased by the boat owner from retail marine dealers. There exists in Canada a sizable industry manufacturing outboard motors, and this industry is obviously closely related to the pleasure craft industry. Factory shipments of outboard motors totalled \$29.6 million in 1972. Domestic outboard producers supply some 95 per cent of the Canadian outboard motor market (See Table 7.1). There is no Canadian production of inboard/outboard motors and inboard engines and, hence, change came as foreign producers, mainly from the United States, supplied the entire Canadian market.

Trailers

Trailerling a boat is often an attractive alternative to the expense of a building or renting a boat-house or other storage facilities; it can also reduce maintenance costs by obviating the need for on-the-water moorage. Not only runabouts but also many sail-boats and small power cruisers are frequently trailered, providing a boat owner with a selection of boating waters. Developments in the United States suggest that, with trailerling, the availability of nearby recreational waters is not necessarily a critical factor determining pleasure boat sales.

Statistics on the use of trailers, either owned or rented, are not available for Canada. However, surveys of the United States market show that, during the period 1950 to 1973, while outboard boat sales have approximately tripled, trailer sales have increased some eighteen times. According to 1973 data, the ratio of trailers sold to new outboard boats sold is about three to four. There is no doubt that the use of trailers, which increased rapidly and very substantially, has had a strong influence on the market for various types of pleasure craft.

Canadian factory shipments of boat trailers are recorded at \$2.4 million (7,668 units) in 1972, probably representing retail sales of \$4 to \$5 million. Current listings of the Canadian Manufacturers' Association give eleven manufacturers of boat trailers in Canada, with such trailers chiefly being produced by the truck body and trailer manufacturing industry.

Marinas

The marina business in Canada may justifiably be viewed as an industry in itself and is, again, one which is closely related to the pleasure craft manufacturing industry.

Marinas in Canada often act as retail outlets or dealers for the manufacturers of pleasure craft. While they are in this way a marketing arm of the industry, the principal services offered by marinas to boat owners are the supplying of marine gas and oil, boat moorage and dockage, and repairs and maintenance. Marina operations are frequently combined with a boat-yard business and activity is seasonal, declining greatly in winter months. While boat owners in recent years have been obtaining an increasing volume of their marine equipment and service needs from "dry land" marinas, the repair and maintenance of larger boats, auxiliary sail-boats and power cruisers, require marinas with on-the-water facilities.

As information about marinas in Canada is limited, data describing the typical profile of a United States marina/boat-yard are provided below illustrating the nature of this type of operation and main sources of revenues.

Table 3.14: Marinas, Distribution of Income by
Main sources, United States, 1973

	<u>per cent</u>
Repairs, service, and maintenance	30
New equipment sales (motors, boats, trailers and other)	16
Used equipment	7
Hardware, accessories, gifts, clothing and supplies	19
Berths and mooring	13
Fuel	8
Tackle and miscellaneous	7
<u>Total Revenues</u>	100

Source: The Boating Industry, January 1974, Cahners Publishing Co.
Inc., New York, N.Y., U.S.A.

CHAPTER IV: PRODUCTION, COSTS, PRODUCTIVITY AND COMPETITIVENESS

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CHAPTER IV: PRODUCTION, COSTS, PRODUCTIVITY AND COMPETITIVENESS

INTRODUCTION

The first five sections of this chapter are largely descriptive and factual. The statistical data on which they are based often leave a good deal to be desired and are limited to aggregative estimates. To the extent possible, therefore, the information has been supplemented by the Board's own survey of the industry to which reference has already been made.

In the sixth section of the chapter, an attempt is made to analyse the available data to gauge productivity performance in the pleasure craft industry. This section, therefore, discusses certain aspects of relevant factors not covered elsewhere such as the size of establishments, the extent of concentration in the industry, and the degree of specialization. In the final section, an attempt is made to compare the pleasure craft industry in Canada with that in the United States to estimate the competitiveness of the Canadian industry.

PRODUCTION METHODS AND PLANT LAYOUT

First, a brief and generalized description follows concerning the production methods and plant layout used in fibreglass and aluminum boat production. The descriptions given apply essentially to typical large-scale boat manufacturing operations using these two main production materials. Small-scale operations including the building of custom craft, may be much different. Techniques used in the construction of boats of wood, canvas-covered wood, ferro-cement and acrylonitrile butadiene styrene (ABS) - a thermoformed plastic - are not discussed.

Production Methods Using Fibreglass

In the construction of fibreglass reinforced plastic (FRP) craft, four materials are combined: fibreglass, resin, gel coat, and a catalyst. The fibreglass provides the strength for what is essentially a resin plastic form. The gel coat provides the colour and the catalyst is introduced to activate blending of the other three materials into a single, solid material.

The steps employed in the production of FRP craft are as follows: the moulds are cleaned, waxed and polished to permit the finished form to be extracted from the mould easily and without damage. A catalyzed polyester gel coat resin is then sprayed onto the mould and allowed to set. The gel coat is normally pigmented to provide the exterior colour desired; it is a compatible polyester resin in order to achieve a proper bond with the structural resin and fibreglass employed. The fibreglass, resin and catalyst are applied in a number of layers to provide strength. For each layer, a separate spray-up and setting period is required.

One of two methods may be used: in the hand lay-up technique pre-cut pieces of fibreglass mat or cloth are placed in the mould, over the gel coat, with the resin-catalyst mixture being then brushed in, or rolled onto, the fibreglass material; alternatively, in the spray-up technique, continuous filament fibreglass may be chopped and sprayed into the mould, again over the gel coat, by means of a hand-held gun that chops the glass and also mixes the resultant short strands with the resin and catalyst. Under this method, fibreglass mat or cloth may also be used for additional reinforcement at selected stress areas with the resin and catalyst also being sprayed onto the fibreglass material. During this stage additional reinforcing materials, usually wood, are frequently introduced. Wooden longitudinal members, engine beds and bulkheads may also be incorporated with the hull at this stage for larger craft.

The finished product is then removed from the mould and interior fittings and components are added. For small craft such as canoes, utilities, outboard runabouts, small sail-boats and sail-boards, this entails the installation of seats, upholstery, and trim as well as the addition of foam flotation and painting. For large boats, such as auxiliary-engined sail-boats and power cruisers, interior fitting is a major work stage, including the installation of engines, mechanical and electrical systems, electronic equipment, and all interior accommodations such as berths, galleys, heads, lockers, panelling and carpets.

Exterior fittings and components are added. In many large boats, decks as well as superstructures are FRP sections produced in a similar manner to the hull. These structures are normally fitted onto the hull at this stage of assembly. Exterior outfitting includes installation of hatches, handrails, running lights, and all deck hardware. The finished boat, after final inspection, is moved to storage or made ready for delivery.

In FRP boat production an important activity is the construction of full-sized models ("plugs") and of master moulds for hulls, decks, and other FRP structures. Plugs may be built from a variety of materials such as plaster of Paris and wood shapes which can be chiseled, planed, and sanded to obtain the required contours. Surfaces are normally treated with a high gloss material and also with a parting agent to facilitate separation of the master mould from the plug. Master moulds, formed from the final shape provided by the plug, are constructed of layers of fibreglass and resin, with the resins employed being specifically designed for mould use. Larger master moulds are often mounted on a wheeled cradle which permits tilting to either side during lay-up procedure. Both plugs and master moulds demand time consuming handwork as plugs must be built to exacting design specifications, and both plugs and master moulds must be as free of surface imperfections as possible. Not all boat manufacturers originate their own design, however, and master moulds may be purchased from other boat-builders.

Production Methods Using Aluminum

Most of the work is normally done at separate work stations; large aluminum panels may be cut to shape and stretch-formed on presses; alternatively, a cut and fit method may be used or panels may be lap-straked on presses. A specially manufactured marine aluminum is used; but, like all sheet material, it cannot be bent in compound curves. (In contrast, the only constraint facing the FRP builder is that the finished unit be removable from the mould. As a result, FRP craft can be, and generally are, more stylish than their aluminum counterparts.)

The hull panels of the aluminum craft are placed together in a jig and temporarily fastened. The panels are then seamed together by riveting or welding. Interlocking extrusions, stiffeners, seats, trim and foam flotation are added. The craft is tested for leaks, painted, inspected and, finally, moved to storage or made ready for delivery.

Plant Facilities and Layout

Prefabrication or sub-assembly activity refers to the construction, pre-cutting and general preparation of tooling, parts and materials needed for work done on the production line. Considerable plant space is required for these functions. Many boat plants thus have separate work areas for wood-working shops, metal and machine shops, prefabrication of seats and upholstery, pre-cutting of fibre-glass materials, storage of resin, painting and for the pre-assembly of trim parts, interior parts, extrusions, masts, rigging, etc.

Central service work areas mainly include plant space required for receiving, shipping and storage. If indoor storage of finished boats is provided, an extensive portion of the plant area must be used because of the bulkiness of hulls. Many pre-assembled parts, supplies and components for use in the production line are stored at various work stations; storage may also be centralized or may be provided in the various workshop areas. In most cases, hulls, finished boats and materials are moved within the plant by handcart or fork lift. Larger craft may be moved between work stations by mobile cranes. C & C Yachts Manufacturing Limited at Niagara-on-the-Lake, one of the few companies to construct a plant specifically designed for modern FRP boat-building, installed an overhead crane and pits recessed into the plant floor to accommodate hulls at work stations. However, almost all pleasure craft producers in Canada operate in multipurpose plant facilities not specifically designed for boat-building.

PRODUCT DESIGN AND LICENSING AGREEMENTS

The discussion in Chapter III of the important question of product innovation, improvement and development focussed mostly on new materials and technologies used in the pleasure craft and related industries. These virtual breakthroughs, especially in the use of fibreglass and aluminum, and improvements in propulsion units were of prime importance in changing the nature of pleasure craft and vastly increased their popularity and sales.

When viewed in terms of production, the Canadian pleasure craft industry benefited greatly and has grown to meet the rapidly increasing demand. However, Canadian producers, with perhaps a few notable exceptions, have merely adopted the innovations and improvements which have come from abroad, mostly from the United States: the Canadian industry has been almost totally dependant on the larger United States industry for new product ideas and applications.

On the other hand, the Canadian industry has clearly exhibited an important independent capacity for constructing craft of unique design, particularly in the sailcraft sector. Canadian-designed and -built sailcraft have gained international recognition, in part through success in racing competition, with such recognition assisting greatly in establishing export markets. As one example, C & C Yachts Manufacturing Limited, Canada's major exporter, probably achieved much of its success since the 1960's through superiority and uniqueness in design. More recently the "Laser", a 14-foot sail-boat designed and produced in Canada, provides further evidence of the importance of original design to the Canadian industry. Manufactured by Performance Sailcraft of Dorval, Quebec, a company established in 1970, this low-priced FRP sail-boat has attained worldwide popularity resulting in substantial export sales. It is reported that production facilities have since been established in Switzerland, Britain, Ireland, Australia, New Zealand, Brazil, and Japan.

A number of approaches may be used to achieve uniqueness in design with consequent sales advantages. Some members of the industry in Canada commission naval architects to design a particular boat for them. While the actual terms of the contract vary, the usual procedure is for the producer to pay a fixed sum to buy the design, and then pay royalties to the designer for each boat actually produced in this design. Some manufacturers, who in this way, acquire their designs outright, may license others to produce identical boats for certain specified markets. Under these circumstances, the second producer pays a royalty to the first producer. Part royalty payment must, under the terms of the original contract, be turned over to the designer. Companies producing large sail-boats or large power cruisers are users of this technique.

Very few Canadian producers maintain their own design staff. Aside from the producers of large sail-boats, the output of this staff appears to be quite limited and they work as "designers" and draftsmen only part of the time. Most of the work involved consists in making minor changes in existing boat models and this is generally done by skilled workers who would not consider themselves designers.

Even the larger Canadian manufacturers of pleasure craft do not appear to be able to afford integrated, full-time product research and design staff and facilities. Thus there are probably very few designers, who actually create new designs, engaged in the pleasure craft industry in Canada. It appears, however, that the pleasure craft industry in Canada does keep fairly current with developments in the industry generally by being informed about, and making a selective choice of, available new designs, materials and technologies.

In contrast, for example, Glastron Boat Company of Austin, Texas, one of the two largest United States runabout producers, includes the following statement in a (1973) sales brochure: "Glastron's engineering, styling and tooling department, with 65 personnel, is the largest in the industry." No Canadian firm could approximate the effort provided within this American company. In fact, it is doubtful if the total Canadian effort in pleasure craft design is equal to Glastron's.

Certain distinctions should be made between the design function discussed above, and "styling" or "re-styling" which is important in certain sectors of the pleasure craft industry. Design is regarded as a more basic and complex undertaking, such as designing the hull of a craft; it generally results in a new and largely original product. In contrast, styling is a more limited function principally involving modifications to existing products. In pleasure craft manufacturing, styling usually entails changes to decks, interior layouts, appointments, finishes, and accessories. Annual styling changes are said to be important in the runabout and power cruiser sectors. Producers of such craft often work, as in the automotive industry, on a model year basis and annual re-styling. In these sectors products are said to sell very much according to style or eye appeal. On the other hand, annual styling is not characteristic of the sailcraft industry, and neither design nor styling changes are critical in the market for canoes and utility-boats which tend to be plain and utilitarian.

Licensing Agreements

Given the importance of design and the ability to capitalize early, both in terms of production and sales, on a best seller, some independent Canadian producers have entered into licensing agreements with foreign producers - virtually all located in the United States - to produce the foreign designs. The agreements generally restrict the Canadian producer's market area for such boats.

Licensing agreements take a variety of forms. Some enable the licensee, on a royalty basis, to produce craft while others provide, in addition, for technical assistance and support from the licensor. In its submission to the Board, Grew Limited of Penetanguishene, Ontario, indicated that it had entered into an agreement providing for such assistance and that, because of this, it was aided in making the transition from the production of wooden pleasure craft to the production of FRP craft.

Licensing agreements are most common among Canada's runabout producers. Subsidiaries of United States corporations operating in Canada also produce runabouts from designs provided by the parent company. From information derived from the Board's survey of the pleasure craft industry, it is estimated that 40 per cent (by value) of Canadian-produced runabouts are manufactured from either licensed designs or designs supplied to Canadian subsidiaries by their United States parent organization.

However, the Canadian pleasure craft industry does undertake some original designing. This is especially true of the sailcraft sector. The Board estimates that only 2 per cent of domestic sailcraft production is manufactured under licence from United States producers.

In its brief to the Board, Grew Limited of Penetanguishene, Ontario, contends that licensing arrangements and, also, United States ownership restrict pleasure craft exports: "The Minister of Finance has asked if the lowering of tariffs would improve export opportunities for Canadian pleasure boat manufacturers. We contend that the lowering of tariffs will not. ... Approximately 60% of Canadian power boat production is controlled by licensees of U.S. companies (including Grew) or U.S. controlled subsidiary firms, all of which are basically excluded from exporting to the United States." Grew's position appears to be only partly valid: the Board calculated on the basis of its industry survey that 38 per cent, not 60 per cent, of Canadian power-boat production is controlled by licensees of United States companies or by United States controlled subsidiary firms; not all United States firms limit or prohibit exports by their Canadian subsidiaries. In the case of Shepherd Boats, Ltd., of Niagara-on-the-Lake, Ontario, a major producer of power cruisers, it is reported that its exports have been greatly stimulated by the fact that its United States parent allocated to it the entire production of 36-foot power cruisers required by the parent organization for the North American market.

DOMESTIC PRODUCTION

Number of Producers⁽¹⁾

From a variety of sources including Statistics Canada, the Department of Industry, Trade and Commerce, provincial government departments, the Allied Boating Association of Canada, the United Boat Builders Association of British Columbia, and other trade sources, the Board identified 184 establishments which produced pleasure craft in 1971. These establishments are located in all regions of the country and produce a wide variety of craft from fibreglass reinforced plastic, aluminum, wood, canvas-covered wood, and acrylonitrile butadiene styrene (ABS). None produced ferro-cement craft.

The operations of a number of pleasure craft establishments are not included in the statistical data contained in this Report. Of the 184 known establishments, 47, which are assumed to be quite small producers, did not submit production information to the Board. Also excluded from this study are pleasure craft constructed by individuals for their own personal use or as a part-time operation; not surprisingly, the Board was unable to uncover any information on the extent of these activities. As a result of these problems of data collection, the estimates provided in this Report are understated.

(1) In addition to the brief reference to this question in Chapter III (p. 45), see also Appendix B.1 which lists the 184 establishments identified by the Board as producing pleasure craft in 1971 and indicates the products produced by each establishment, and Appendix B.5 which explains the discrepancies between the Board's Industry Survey and Statistics Canada data as regards the number of establishments.

However, given that most of the excluded boat-builders produce, often only with the use of spare time labour of one or two persons, a limited number of craft which are sold locally, the deficiencies in the estimates used are thought to be minor.

The 184 producing establishments, while normally constructing pleasure craft as a principal business, are also engaged in commercial boat construction and in the production of oars, paddles, boat trailers, and other marine accessories and ancillary equipment. These establishments also often receive significant revenues from repair services, storage and dockage, both for commercial and pleasure craft. A number of these establishments also manufacture or construct products not related to the marine industry such as snowmobile cabins, containers, children's snow sleds and industrial FRP mouldings. The non-marine lines produced by many of these enterprises are, in certain cases, a significant source of revenue. It would appear that most of these secondary, non-marine activities are conducted in the off-season. As the pleasure craft manufacturing industry tends to be highly seasonal, some firms have developed non-marine lines specifically to retain their workers in the off-season period and to spread their fixed costs over a larger production volume.

Incorporated companies account for almost all of the value of production. There were, in 1971, some twenty-eight smaller producers operating as proprietorships and partnerships; their numbers in the Boatbuilding and Repair Industry have decreased roughly by half in the past ten years.

From information obtained through the Board's industry questionnaire, there is a significant degree of foreign ownership in pleasure boat manufacturing in Canada. Five major domestic producers are wholly-owned subsidiaries of United States companies: Canadian Fiberform Ltd., Kelowna, British Columbia⁽¹⁾; Canadian Boat Manufacturing Ltd., Princeville, Quebec; Chrysler Canada Outboard Ltd., Barrie, Ontario; Hughes Boat Works Ltd., Huron Park, Ontario; Shepherd Boats, Ltd., Niagara-on-the-Lake, Ontario. Although only five in number, these companies, in 1971, accounted for 22 per cent of the value of domestic pleasure craft production. The two largest of these are among the largest in the industry and accounted for 12 per cent of the total value of production.

Capital Outlay and Ease of Entry

As already noted, a large number of establishments collectively account for a minor share of pleasure craft production. Two thirds of the 137 manufacturers, who submitted shipments data to the Board, produced only 15 per cent of the industry's output in 1971.⁽²⁾ These figures in fact understate the high percentage of small enterprises in the pleasure craft manufacturing industry because it does not take into account the 47 known producers who did not submit shipments data and whose operations are believed to be quite small.

(1) Canadian Fiberform is no longer in operation due to a fire that destroyed the firm's plant; there are, at present, no plans known to rebuild.

(2) See Table 4.17, page 112

A major reason for this large number of small enterprises is the relative ease of entry into making FRP pleasure craft and the fact that FRP construction predominates in the industry. Of the 184 (137 plus 47) manufacturers identified in 1971, at least 122 were FRP pleasure craft producers. By value, FRP craft comprised 79 per cent of total production in 1971. In FRP boat construction there are no special skills, unique sources of supply, nor major outlays required for capital equipment.

In the labour intensive procedures characterizing FRP boat-building at this time, the moulds used constitute, in effect, the needed production equipment. While the few manufacturers who make their own moulds admittedly have to make a substantial investment, most smaller FRP craft producers do not make this investment and quite freely copy existing models. Thus existing boat models are purchased and used directly ("flipped") to form the mould needed. Aside from the moulds, other production equipment costs are minimal, consisting in some cases of a spray-up outfit, and standard wood-working and metal-working tools; building facilities are often rented.

As discussed in Chapter V, the mark-ups taken by distributors (wholesalers) and dealers (retailers) in the distribution channel are considerable, commonly amounting to 40 to 50 per cent of retail price. On the other hand, a number of smaller boat-builders sell directly to the purchaser and do not market through either distributors or dealers, relying on referrals or word-of-mouth advertising or on their own sales efforts. To the prospective entrant the ability to operate, at least initially, on a direct sales basis is probably also a factor contributing to the attractiveness of this industry for a small producer. Where a sufficient sales volume can be generated by referrals or by local advertising, the small boat-builder can be a high-cost and even an inefficient producer but offer nonetheless, because of economies in marketing, a product competitive with that of the much larger manufacturer. Another form of direct sales is most characteristic among establishments constructing larger sailcraft and power cruisers, where the builder tends to provide a custom service to buyers seeking a quality product by a known builder. Many such builders, whose operations, very often, are also relatively small, work on an order basis rather than producing for inventory, and this method of operation also minimizes working capital needs, especially if progress payments are made by the buyer.

In contrast to FRP boat-building, aluminum pleasure boat manufacture necessitates a relatively heavy initial investment in production equipment. This fact probably explains why there are comparatively few aluminum producers in the industry. The Board's 1971 industry survey uncovered only fourteen aluminum boat producers. One industry source estimates \$250,000 as being the minimum outlay needed for production equipment in aluminum boat manufacture, although this amount could be higher depending on the specific techniques employed. Given such initial outlays, much greater production and sales volumes are required to cover capital investment costs. Therefore, new entrants are virtually always in the FRP sector where the equipment is relatively simple and inexpensive, the chances of turning out a hull of adequate quality are quite good and where the small business may be able to exploit competitive opportunities in selling and distribution.

Listings of establishments available from Statistics Canada provide some measure of recent turnover rates among pleasure boat producers. There were thirty-three entrants in 1971 followed by thirty-one in 1972. On the other hand there were thirty-eight and thirty departures in these two years respectively. As expected, the annual rate of entry into the industry thus appears to be exceptionally high, being some 20 per cent of the existing number of establishments, with annual departures from the industry roughly matching the number of entrants, at least in 1971 and 1972. As a point of comparison, for All Manufacturing in Canada the rate of entry may be calculated as 5 per cent in 1971⁽¹⁾. While turnover is believed to be particularly high among the small establishments in the pleasure craft industry, it should also be pointed out that some large and well-financed corporations have in recent years commenced, and subsequently terminated, pleasure craft manufacture in Canada. Important examples are Chris-Craft (Canada) Ltd., Courtaulds (Canada) Ltd., Traveler Manufacturing Co. Ltd., and Canadian Fiberform Ltd.⁽²⁾

Information available to the Board certainly suggests that, while there is a more or less stable group of larger producers in the industry, there is also a large number of small scale businesses among which the entry and departure rate is pronounced. To confirm the high turnover evident from Statistics Canada establishment listings, the Board was also able to use responses to its industry survey. While only a partial survey, 40 per cent of the pleasure craft establishments operating in 1971 indicated that they had been engaged in this activity for five years or less. The ease of entry into FRP pleasure craft manufacturing explains in large part the high number of small establishments; at any one point in time a large proportion of the small producers is apparently made up of enterprises recently attracted into the industry.

A counterpart to ease of entry among the smaller establishments in the pleasure craft industry is the high mortality rate. In recent years the over-all departure rate, including some of the larger producers, seems to be relatively high and as stated above has roughly matched the number of entrants.

As in so many cases of failure among small businesses, one would expect that lack of adequate financing probably explains the majority of the failures or terminations in the boat-building industry. Many of the smaller enterprises, furthermore, tend to be operated by craftsmen, who, while fully skilled in boat-building, lack necessary management and marketing skills.

Types of Craft and Materials Used

Table 4.1 sets out in somewhat more detail than Table 3.6 the volume and value of production, at manufacturers' price level, of eight types of pleasure craft, showing the percentage which each type represents of total production. The table is based on the results of the Board's survey of the pleasure craft industry which, as already

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- (1) The rate of entry is based on Statistics Canada data which record 1,595 new manufacturing establishments in 1971 over a base of 31,928 establishments in 1970.
- (2) Since 1971 a number of other large producers have ceased production of pleasure craft; the Board has taken note of this in its Report. These changes are, however, not incorporated in the list of establishments presented in Appendix B.1, because the Board could not ascertain all the changes that have occurred since 1971, changes which, as indicated above, are numerous especially among the small producers.

noted, covered 137 producers (out of an identified total of 184) with a production of \$44.3 million, in 1971. (For more detailed information for the years 1948 to 1972, see Appendix A.4).

Table 4.1: Production of Pleasure Craft by Product Groups, 1971

<u>Product Group</u>	<u>Value of Shipments</u>		<u>Quantity</u>		<u>Unit Value</u>
	<u>\$'000</u>	<u>% of Total</u>	<u>No.</u>	<u>% of Total</u>	
Canoes	3,171	7.2	22,892	32.2	139
Utilities	4,238	9.6	26,043	36.7	163
Runabouts:					
Outboard	8,520	19.2	12,650	17.8	673
Inboard/Outboard	4,836	10.9	1,318	1.9	3,669
Inboard	165	0.4	23	*	7,174
Total Runabouts	13,520	30.5	13,991	19.7	966
Sail-boats:					
Non-auxiliary	6,263	14.1	4,000	5.6	1,566
Auxiliary	8,467	19.1	492	0.7	17,208
Total Sail-boats	14,730	33.2	4,492	6.3	3,279
Power Cruisers	6,721	15.2	359	0.5	18,722
Other ^(a)	1,939	4.4	3,273	4.6	593
<u>Total</u>	44,319	100.0	71,050	100.0	624

(a) Includes, principally, houseboats, multihull sailcraft and pedal-boats

Source: Tariff Board Survey

The relative importance of the different types of pleasure craft produced in Canada has already been summarized in Chapter III. It might be added that the relative importance of canoes and utilities in terms of the numbers produced contrasts sharply with their position in terms of value. The reverse situation tends to be true for runabouts and sail-boats: they are important in terms of the total value of production but less important in terms of the number of units produced. Also evident from the figures is the significance of luxury craft: power cruisers and sail-boats constitute less than 7 per cent of the units produced and almost 50 per cent of the total value of production.

Table 4.1 also shows the weighted average value per unit for each category of pleasure craft for which total quantity and value of production were obtained from the 137 producers surveyed. As one might expect, the lowest estimated unit value is for canoes and utility-boats, and the highest is for power cruisers and sail-boats with auxiliary

power. It is interesting to note the wide difference, in the runabout category, between the unit value of the ordinary outboard (\$673) and the inboard (\$7,174); the average unit value of the inboard/outboard is about half that of the inboard. An even greater disparity exists in sail-boats as between those with auxiliary power (\$17,208) and those without power (\$1,566).

The general and, in some cases, very sharp upward trend in unit values of pleasure craft was discussed in Chapter III in terms of market developments and trends relating to demand (especially at page 43). Appendix A.5 contains more detailed information for outboards (according to construction material), sail-boats (with and without auxiliary power), cruisers and yachts (under and over 23 feet), for the years 1965 to 1972.

The materials used in the production of pleasure craft, and their impact on the development of the industry, have also been discussed in Chapter III in the context of product innovation and development. Table 4.2 summarizes the relative importance of fibreglass, aluminum and other materials (wood, canvas on wood, ABS and steel), by categories of craft. The table confirms the importance of fibreglass as a hull material, especially in the production of runabouts, sail-boats and power cruisers. It also shows what little importance wood now has as a basic construction material and how aluminum has continued to hold an important place in the construction of utility-boats and canoes.

Within the other boat categories FRP is only one of the more frequently used materials. Smaller craft, such as pedal-boats, may be made from ABS, while larger craft, such as houseboats, are constructed from aluminum or steel.

Regional Distribution of Production

Mention has already been made of the high degree of concentration of the pleasure craft industry not only in Ontario, Quebec and British Columbia, but also in or close to the metropolitan centres of Toronto, Montreal and Vancouver. Table 4.3 illustrates the degree as well as the nature of that concentration. In terms of value of production (value of factory shipments), Ontario and Quebec account for over 72 per cent and when British Columbia is added the percentage becomes some 91 per cent. Ontario is dominant with about 41 per cent of the establishments and over 54 per cent of total production. The share held by Quebec and British Columbia is roughly the same when measured in value of production, some 18 per cent; but in terms of units produced Quebec's share is about 36 per cent compared to British Columbia's 8 per cent.

Whereas the Atlantic region has about 10 per cent of the establishments, its production in terms of units and value is only about 4 per cent. It should be noted that three firms account for most of the output of pleasure craft in the Atlantic region; two of these, Paceship Yachts Limited and McVay Fiberglass Yachts Limited, both located at Mahone Bay, Nova Scotia, produce expensive sail-boats. A third, Chestnut Canoe Limited, Fredericton, New Brunswick, produces canoes, utility-boats and runabouts. The remaining ten establishments produce mostly sail-boats and power cruisers in traditional native and imported woods.

Table 4.2: Production of Pleasure Craft, by Type of Construction Material, 1971

Product Group	Fibreglass			Aluminum			Other(a)		Total	
	No. of Units	Per Cent of Total	Value \$	No. of Units	Per Cent of Total	Value \$	Per Cent of Total	Value %	No. of Units	Value \$
Canoes	11,337	49.5	1,364,401	8,597	37.6	1,238,395	39.1	12.9	22,892	3,170,693
Utilities	4,610	17.7	739,223	19,563	75.1	3,236,540	76.4	7.2	26,043	4,238,250
Runabouts	12,369	88.4	12,526,339	1,030	7.4	618,157	4.6	4.2	13,991	13,520,242
Sail-boats	4,224	94.0	14,532,700	261	5.8	138,900	0.9	0.2	4,492	14,729,598
Power Cruisers	322	89.7	5,196,303	-	-	-	-	10.3	359	6,721,172 ⁷⁶
Other Boats	1,957	59.8	716,245	59	1.8	834,002	43.0	38.4	3,273	1,939,359
Total	34,819	49.0	35,075,211	29,510	41.5	6,065,994	13.7	9.5	71,050	44,319,314

(a) Principally wood or, for canoes, wood and canvas; for "other boats", it is mostly ABS and steel.

Table 4.3: Regional Distribution of Establishments, Employment and Production in the Pleasure Craft Industry, 1971

	Establishments		Production Workers		Production			
	% of		% of		No. of		Value	% of
	No.	Total	No.	Total	Units	Total		
							\$	
Atlantic	13	9.5	189	7.8	2,791	3.9	1,887,421	4.3
Quebec	30	21.9	469	19.5	25,735	36.2	7,951,396	17.9
Ontario	56	40.9	1,240	51.5	33,039	46.5	24,119,918	54.4
Prairies	9	6.6	209	8.7	4,040	5.7	2,047,752	4.6
B.C.	29	21.2	302	12.5	5,445	7.7	8,312,827	18.8
<u>Total</u>	137	100.0	2,409	100.0	71,050	100.0	44,319,314	100.0

Source: Tariff Board Survey and Statistics Canada

The type of pleasure craft produced explains, of course, the figures set out above. For example, there is a tendency for the British Columbia producers to make larger, more expensive, craft such as power cruisers. This tendency prevails, but to a much lesser degree, in the Atlantic and Ontario regions. In contrast, Quebec and the Prairie regions tend to produce the less expensive smaller pleasure craft. These characteristics of production in the five regions are supported by Table 4.4 which breaks down regional production into the five main categories of pleasure craft. For reasons of confidentiality, a good deal of the data available to the Board cannot be revealed.

Thus it is seen that Ontario and Quebec combined account for the majority of production in all product groups by value except for power cruisers: 73 per cent of canoe production, 93 per cent of utility-boat production, 66 per cent of runabout production, 84 per cent of sail-boat production and 61 per cent of "other boats" production. British Columbia is dominant in the production of power cruisers with 49 per cent of the Canadian output. About three quarters of the sail-boats and close to two thirds of the utilities are produced in Ontario. Nonetheless, all types of pleasure craft, with the exception of power cruisers, are produced outside the major producing regions, often in quite significant quantities.

Table 4.4: Pleasure Craft Production by Region and Product Group, 1971

Product Group	Atlantic		Quebec		Ontario		Prairies		British Columbia		Canada	
	Value of Prod. \$	% of Total	Value of Prod. \$	% of Total	Value of Prod. \$	% of Total	Value of Prod. \$	% of Total	Value of Prod. \$	% of Total	Total Value of Prod. \$	
Canoes	X	X	950,729	30.0	1,376,015	43.4	X	X	X	X	3,170,693	
Utilities	X	X	1,259,125	29.7	2,675,612	63.1	X	X	183,154	4.3	4,238,250	
Runabouts	137,367	1.0	3,308,944	24.5	5,678,180	42.0	808,937	6.0	3,586,814	26.5	13,520,242	
Sail-boats	X	X	1,364,950	9.3	11,019,241	74.8	X	X	839,577	5.7	14,729,598	
Power Cruisers	X	X	X	X	X	X	-	-	3,293,094	49.0	6,721,172	78
Other Boats	-	-	X	X	X	X	X	X	X	X	1,939,359	
Total	1,887,421	4.3	7,951,396	17.9	24,119,918	54.4	2,047,752	4.6	8,312,827	18.8	44,319,314	

Source: Tariff Board and Statistics Canada

NOTE: X - Signifies data omitted for reasons of confidentiality

Geographic concentration of production is even greater than that implied above. While Quebec, Ontario and British Columbia combined account for over 90 per cent of domestic production, over \$33 million or three fourths of total domestic production is concentrated within one hundred miles of Montreal, Toronto and Vancouver. As indicated in Table 4.5, nearly 45 per cent of Canadian production in 1971 took place within a 100-mile radius of Toronto alone.

Table 4.5: Pleasure Craft Production Within a 100-Mile Radius of Montreal, Toronto and Vancouver, 1971

<u>Location</u>	<u>Number of Establishments</u>	<u>Value</u> \$	<u>Per Cent of Total</u>
Montreal and Vancouver ^(a)	52	13,863,255	31.3
Toronto	36	19,524,767	44.1
Sub-total	88	33,388,022	75.3
Elsewhere	49	10,931,292	24.7
<u>Total</u>	137	44,319,314	100.0

(a) Montreal and Vancouver are shown together for reasons of confidentiality. All but one of the major British Columbia builders were located within a 100-mile radius of Vancouver.

Source: Tariff Board Survey and Statistics Canada

The location of firms in the pleasure craft industry appears to be determined by two main considerations: proximity to populous market areas, thereby reducing transportation costs which are particularly significant with respect to pleasure craft, and the easy availability of labour and ready access to the products and services of associated industries.

As in most other industries producing consumer durables, these considerations are usually satisfied in large urban centres such as Vancouver, Montreal, Toronto and others which also have access to navigable waters. Nearby waterways are of course important for the boater even though trailering has become relatively easy. Access to water is not a major factor for the producer because most boats, even large luxury sail-boats and power cruisers, are delivered to their ultimate destination by truck or train. Canadian builders cluster round large urban centres where roads and rail provide good transportation facilities for the inbound materials and outbound boats. Furthermore, most pleasure craft are sold by dealers who are not located on the water.

Production Costs

The Board sought, but was not successful in obtaining, sufficient reliable cost of production data to enable it to examine, by region and by type and model of pleasure craft, the difference in production costs between small and large volume producers, between those producing many models and those producing only a very few, between those specializing in one type of pleasure craft and those with a relatively high degree of diversification in their production.

Although the Board's questionnaire survey included a section on production costs, the response rate was low compared to that for other parts of the survey. The main reason appears to have been that a number of companies simply did not have sufficiently detailed accounting or other records. The cost information available to the Board, therefore, tends to represent the cost experience of a small number of the larger pleasure craft manufacturers, comprising a large, if not always a preponderant, part of the total production of pleasure craft.

From information acquired through the Board's survey and from interviews with producers, production costs were, nonetheless, derived for a number of types and specific models of pleasure craft. The results for five types of craft are shown in Table 4.6. For reasons of confidentiality, the information obtained concerning fibreglass utilities, aluminum runabouts, and craft in the "other boats" category, cannot be included in this Report.

The unit production cost figures shown are arithmetical averages - e.g., the production costs of the six producers of FRP outboard runabouts who reported to the Board were added for each item of cost enumerated in the table, and then divided by six. Arithmetic averages are used because the Board cannot divulge production costs for individual manufacturers. For the same reasons of confidentiality, most of the following discussion deals with cost differences between types of pleasure craft, while, from the Board's viewpoint, the more important aspect is variations in comparable production costs between individual producers. Production costs reported to the Board by individual producers for each type of pleasure craft differed of course and in some instances the spread was quite broad. For instance, the six companies surveyed to arrive at an average total factory cost of \$872.39 for outboard runabouts, reported total factory costs ranging from some \$625 to about \$1,375. In most cases, the spread was much narrower - e.g., the total factory cost of the non-auxiliary sail-boats surveyed ranged from some \$725 to \$790; for sail-boats with auxiliary power, the range was about \$9,000 to \$9,500. More detail, by type of craft, on the spread in the total factory costs between reporting firms and on the length of the craft on which they reported, is given in a footnote to Table 4.6.

Direct labour costs, it is interesting to note, generally ranged from about 16 to approximately 22 per cent of total factory production cost for all, except two, of the types of pleasure craft shown in Table 4.6. For the FRP inboard/outboard runabout, direct labour cost as a percentage of total factory cost is shown as quite low, only about 8 per cent. This is explained by

the high cost of the motors installed in these runabouts; the stern-drive power unit and assembly represents more than 50 per cent of total factory production cost. The inclusion of motor costs in this instance decreases the proportionate share of direct labour (and indeed of overhead) cost in total factory cost. Since inboard/outboards are in fact very often only slightly modified versions of larger outboard models, it is perhaps more appropriate to exclude motor and assembly from factory costs; on this basis, direct labour would be just under 16 per cent of factory cost and therefore within the more normal range mentioned above.

The second exception is the comparatively high proportion of direct labour, 27 per cent, in aluminum canoes. This ratio is somewhat difficult to explain in comparison to aluminum utilities for which the corresponding percentage is 21 per cent and in view of a similar percentage (30 per cent) of factory cost going to factory overhead for these two aluminum products. It is to be noted, however, that the cost of basic materials is higher for the aluminum utility, by about 6 percentage points. While material costs for the FRP canoe, versus the aluminum canoe, are substantially greater (by about 11 percentage points) this is offset by lower direct labour and overhead costs.

A noteworthy finding derived from the cost information displayed in Table 4.6 is that the relative cost of direct labour in the manufacture of aluminum pleasure craft is at least as high and probably somewhat higher than in the FRP sector. For example, the percentage of direct labour cost in total factory production cost is 27 per cent and 21 per cent, respectively, for aluminum canoes and utilities as against 21 per cent and 16 per cent, respectively, for FRP canoes and outboard runabouts. The percentage cost of labour in other FRP craft, excluding inboard/outboard models, is about 19 to 22 per cent. Other data submitted to the Board, but not included in the table for reasons of confidentiality, also support that finding. Relatively higher direct labour costs appear to obtain therefore, in aluminum boat production in spite of the relatively heavy use which is made of capital equipment, such as rollers, routers and stretch presses; it is explained by the fact that substantially more labour is needed in assembling, fastening and seaming the number of pieces of aluminum which make up the hull.

Material costs, in contrast to direct labour costs and overhead, are the largest cost factor in producing pleasure craft. Material cost can include, depending on the type of craft, FRP materials (fibreglass, resin, gel coat and catalyst), aluminum (sheet, coil and extrusions), other materials, accessories, and engine and assembly (see footnotes to Table 4.6 for fuller list). Material cost as a percentage of total factory production cost ranges from about 46 to 54 per cent for the three FRP craft without power units; it is 43 and 49 per cent, respectively, for aluminum canoes and utilities and 64 to 80 per cent for the three larger FRP craft with engines. The highest percentage of factory cost going to FRP materials (37 per cent) is in the FRP canoe and in the non-auxiliary sail-boat (21 per cent). In such craft there is little or no cost for accessory equipment and, of course, there is no motor. On the other hand, accessories are a major cost item in outboard runabouts and inboard/outboards at 23 and 17 per cent respectively. As already noted, the high-powered motors used in inboard/outboards

comprise over 50 per cent of total factory production cost. In the case of auxiliary sailcraft the low horsepower, light-weight inboard engines installed constitute, in contrast, a much smaller proportion of total production cost.

Factory overhead frequently claims a substantial percentage of total factory production cost. This percentage varies considerably, from about 10 to 12 per cent for FRP inboard/outboards and power cruisers to 34 per cent for sail-boats without engines. Major differences in the methods used to assign factory overhead costs, as well as in the number of units produced of any particular type of craft, in the size and organization of manufacturing facilities and in the distribution of the work force, make an analysis of the variations in overhead costs impractical. The Board's survey of the industry revealed that in the case of the types of pleasure craft included in Table 4.6, as well as several other models, Canadian pleasure craft manufacturers allocate factory overhead to the various models produced on the basis of a certain percentage of direct labour cost per unit. For all types of craft produced, this percentage ranged from 60 to 200 per cent. The percentage of direct labour cost used to arrive at overhead cost appeared to be greatest in the case of producers in the run-about sector, often 125 to 200 per cent, and smallest for producers of canoes, utilities, sailcraft and power cruisers.

While accounting procedures employed by companies may differ, the principal costs charged to factory overhead normally comprised depreciation on buildings and equipment (including the amortization of the cost of moulds), employee fringe benefits, municipal taxes and rent. Moulds and associated tooling make up a substantial portion of total investment, particularly for the FRP producer of auxiliary sailcraft and power cruisers. Lacking a large market, the producers of these types of pleasure craft are denied the advantages of large-scale production. For such firms an investment of \$50,000 or more in moulds and tooling (including the original plug and master moulds for the hull, decking and superstructure) for a single model of craft, is prohibitive.⁽¹⁾ In the course of its investigation the Board encountered four different methods currently employed by builders of large pleasure craft in their efforts to offset the serious handicaps of small scale production. These are noted at this point because they illustrate, in particular, various means by which mould costs (and their amortization cost) can be reduced in order to effect substantial savings in the factory overhead cost which is carried by each craft produced.

One method involves the construction of a mould having a movable transom. Such a procedure requires a relatively small increase in the cost of constructing the mould, while design and plug expenditures are not affected. Thus, for roughly the cost of the mould for one size of craft, boats of various lengths may be made, thus reducing mould costs per unit produced. A number of builders estimate that for large pleasure boats the construction of a plug cannot economically be undertaken unless twelve to fifteen units are produced.

(1) Mould costs may substantially exceed the \$50,000 total indicated. In 1974 Shepherd Boats, Ltd. re-designed their 53-foot power cruiser model and reported that mould costs amounted to \$150,000. This figure includes only the costs of direct labour and material involved in constructing the plug and the master mould and excludes any design costs.

A second method is to enter into an agreement among several builders for joint ownership of a mould. In the case brought to the Board's attention, three separate companies shared in the design and construction cost of a 50-foot master mould which was subsequently used in three ways: to construct a finished craft; to produce a hull only for further completion by another boat-builder; for leasing to another boat-builder. Under such agreements several distinctive boats may be produced from one mould as the same basic hull may be finished in different ways according to a buyer's individual specifications.

A third method in FRP boat-building involves the construction of a wooden hull and deck which are then covered with fibreglass and resin. The initial wooden structure becomes the central core for the finished FRP craft. This approach completely eliminates the investment in moulds but it involves higher construction costs.

In the fourth method, a wooden frame made of slats, resembling the rib structure of a wooden boat, is built and used as a male mould. This frame is then covered, for example, with foam sheets and becomes the inner core of the complete hull.⁽¹⁾ Overhead costs are reduced because the male mould is substantially cheaper to build than the usual solid female moulds. The mould may be re-used when the finished hull is removed from it. However, construction costs are higher as it is more time-consuming to work with a male mould than it is with a female mould.

As for the small boat-builders, many produce fibreglass pleasure craft using moulds which have been acquired from larger firms which have discontinued the production of a particular model. Alternatively, these smaller boat-builders sometimes purchase a competitor's boat and use its hull as a master mould from which a female mould is fabricated.⁽²⁾

(1) This technique is described in detail in: Karl Brandl, "Cellular Plastics of Pure PVC as a Sandwich Core for Large FRP Boat Hulls", in Conference on Fishing Vessel Construction Materials, Information Canada, 1968, p. 177-208.

(2) In this industry industrial design marks, trade marks and patents provide little practical protection against copying, and are seldom employed.

Table 4.6: Distribution of per Unit Production Costs in the Pleasure Craft Industry, 1972

Item	Canoes				Utilities - Aluminum		Outboard Run- abouts FRP	
	FRP		Aluminum		Aluminum		abouts FRP	
	Cost	Per Cent	Cost	Per Cent	Cost	Per Cent	Cost	Per Cent
	\$		\$		\$		\$	
FRP Materials								
Fibreglass	16.36	17.9	-	-	-	-	63.83	7.3
Resin	9.94	10.9	-	-	-	-	60.08 (a)	6.9
Gel Coat	6.59	7.2	-	-	-	-	21.50	2.5
Catalyst	.75	0.8	-	-	-	-	1.46	0.2
Sub-total	33.64	36.8	-	-	-	-	146.87	16.8
Aluminum								
Sheet	-	-	4.61	4.3	16.58	11.3	-	-
Coil	.90	1.0	18.69	17.5	28.48	19.4	-	-
Extrusions	4.17	4.6	5.59	5.2	5.17	3.5	5.12	0.6
Sub-total	5.07	5.5	28.89	27.0	50.23	34.2	5.12	0.6
Other Materials (b)	10.00	10.9	16.66	15.6	20.91	14.3	116.79	13.4
Total Basic Material	48.71	53.3	45.55	42.6	71.14	48.5	268.78 (c)	30.8
Component Parts (f)	.70	0.8	-	-	-	-	198.34	22.7
Engine and Assembly	-	-	-	-	-	-	-	-
Total Material	49.41	54.1	45.55	42.6	71.14	48.5	467.12	53.5
Labour (Direct) (g)	19.20	21.0	28.87	27.0	31.01	21.1	141.55	16.2
Factory Overhead	22.77	24.9	32.59	30.5	44.52	30.4	263.72	30.2
Total Factory Cost	91.38	100.0	107.01	100.0	146.67	100.0	872.39	100.0

Table 4.6: Distribution of per Unit Production Costs in the Pleasure Craft Industry, 1972 (Contd.)

	Inboard/Outboard Runabouts		Non-Auxiliary FRP		Sail-Boats		Auxiliary FRP		Power Cruisers (e) FRP	
	Cost \$	Per Cent	Cost \$	Per Cent	Cost \$	Per Cent	Cost \$	Per Cent	Cost \$	Per Cent
FRP Materials										
Fibreglass	119.69	3.8	63.14	8.3	428.31	4.6	2,583.55	6.9		
Resin	86.77	2.8	74.33	9.8	285.43	3.1	1,762.23	4.7		
Gel Coat	25.91	0.8	23.74	3.1	96.17	1.0	504.74	1.3		
Catalyst	6.33	0.2	1.20	0.2	8.12	0.1	78.26	0.2		
Sub-total	<u>238.70</u>	<u>7.7</u>	<u>162.41</u>	<u>21.4</u>	<u>818.03</u>	<u>8.9</u>	<u>4,928.78</u>	<u>13.1</u>		
Aluminum										
Sheet	-	-	-	-	21.67	0.2	.43	*		
Coil	-	-	-	-	-	-	6.25	*		
Extrusions	-	-	11.55	1.5	226.38	2.4	102.40	0.3		
Sub-total	<u>-</u>	<u>-</u>	<u>11.55</u>	<u>1.5</u>	<u>248.05</u>	<u>2.7</u>	<u>109.08</u>	<u>0.3</u>		
Other Materials (b)										
	121.75	3.9	58.75	7.7	2,292.64	24.8	7,880.80	21.0		
Total Basic Materials Component Parts(f)	<u>360.46</u>	<u>11.6</u>	<u>232.71</u>	<u>30.6</u>	<u>3,358.72</u>	<u>36.3</u>	<u>12,918.66</u>	<u>34.4</u>		
Engine and Assembly	532.59(c)	17.1	117.00	15.4	1,468.45(d)	15.9	3,686.91(d)	9.8		
	<u>1,606.83</u>	<u>51.5</u>	<u>-</u>	<u>-</u>	<u>1,093.68</u>	<u>11.8</u>	<u>8,903.39</u>	<u>23.7</u>		
Total Material	2,499.88	80.2	349.71	46.0	5,920.85	64.1	25,508.96	67.9		
Labour (Direct) (g)	233.20	7.5	153.25	20.2	1,721.94	18.6	8,181.52	21.8		
Factory Overhead	384.12	12.3	257.00	33.8	1,599.67	17.3	3,855.15	10.3		
Total Factory Cost	<u>3,117.20</u>	<u>100.0</u>	<u>759.96</u>	<u>100.0</u>	<u>9,242.46</u>	<u>100.0</u>	<u>37,545.63</u>	<u>100.0</u>		

Table 4.6: (Contd.)

- (a) Includes some catalyst costs not reported separately
- (b) Principal materials included are wood, paint and metal fasteners including rivets, nails, screws and staples. Also included, where applicable, are acetone, patching compounds, filler pastes, glues and cements, cardboard stiffeners, seats and seat coverings, sealants, flotation foam, welding materials, packing materials and miscellaneous hardware not reported as accessory items.
For auxiliary sailcraft, iron or lead keels are a major cost included in "Other Materials".
- (c) Includes windshields, running lights, steering wheels, padded seats and other upholstery, electric wire, fuel tanks, steering controls and mechanism, carpets, convertible tops, bilge pumps and exhaust blowers
- (d) Includes principally running lights, anchor lights, steering wheels, bunks, sinks, marine heads, stoves, brass, bronze and stainless steel fittings, window glass, upholstery, refrigerators, winches, pulpits and lines, tanks, bilge pumps, carpeting and exhaust blowers
- (e) Data for power cruisers are partly estimated.
- (f) Includes component parts as defined in Chapter VII, p. 234
- (g) Factory overhead includes employee fringe benefits (holiday pay, health and unemployment insurance, company, Canada and Quebec pension plans, etc.), plant supervisory salaries, municipal taxes, rent, building and equipment maintenance, heat, light and power costs, depreciation of moulds and equipment, warehousing costs, small tools and dies expense and sundry operating supplies.

Source: Tariff Board Survey

Table 4.6 (Concl'd.)

NOTE TO TABLE 4.6

	<u>Approximate Length</u>	<u>Total Factory Cost</u>
<u>Canoes</u>		
FRP	14' to 16'	\$ 56.07 to \$ 161.30
Aluminum	11' to 15'	\$ 93.93 to \$ 118.94
<u>Utilities</u>		
Aluminum	11' to 14'	\$ 127.50 to \$ 170.45
<u>Runabouts FRP</u>		
Outboards	14' to 16'	\$ 626.92 to \$ 1,367.53
I/Os	16' to 18'	\$ 2,713.78 to \$ 3,520.56
<u>Sail-Boats FRP</u>		
Non-auxiliary	15' to 16'	\$ 725.98 to \$ 793.90
Auxiliary- powered	27' to 31'	\$ 9,016.96 to \$ 9,468.90
<u>Power Cruisers</u>	35' to 40'	\$22,009.42 to \$53,081.77

Length of Production Runs

The Board also sought information concerning the length of production runs in the pleasure craft industry because it is an important factor in productivity performance and, more particularly, in determining unit production costs. It has frequently been stated that many segments of Canadian manufacturing, compared to manufacturing in the United States, are hampered by the small size and the dispersed nature of the Canadian market and the consequent shorter production runs. The pleasure craft industry seems to labour under the same disadvantages: not only is the domestic market for pleasure craft many times smaller than that in the United States, it is made up mostly of three regional market areas concentrated on Vancouver, Toronto and Montreal.

For purposes of this Report, the Board has taken a "production run" to be the number of pleasure craft produced by a production line with no significant interruption, loss of time or additional costs resulting from change-overs from one hull size, model or type of pleasure craft to another. The investigations by the Board have indicated that, in most sectors of the pleasure craft building industry, additional costs resulting from construction downtime is not a significant factor when changes are made in hull size, model or even type of craft, on a production line. This applies particularly to FRP craft construction: small FRP pleasure craft builders make, on one production line, a relatively quite small number of a very few models; and a large builder makes, also on one production line, a larger number of many more models, frequently of different types of craft. There are several instances where an FRP pleasure craft manufacturer produces several models of FRP canoes, utilities and runabouts on the same production line or with the same production layout.

In aluminum pleasure craft construction, the large producer also changes hull sizes, models, and types of craft on the same production line without significant downtime and additional costs. A large aluminum pleasure craft producer may make canoes, utilities and runabouts, in several sizes and models. This flexibility would not be available, however, to the small producer because, lacking volume, he could not afford the very expensive, labour-saving production machinery, which enables the large aluminum craft manufacturer to change over from one size or model to another with little loss of production time. The importance of volume production in the case of aluminum pleasure craft, and the cost of the machinery necessary for such production, are the main reasons why there are so few small producers of aluminum pleasure craft as compared to small producers of FRP craft.

The only sectors of pleasure craft manufacturing that encounter significant loss of time and additional costs due to size or model changes are large auxiliary sail-boats and power cruisers. These large pleasure boats, whether of wood or FRP, involve highly individualized production techniques with considerable change-over costs.

Therefore it appears that, with the exception of the larger pleasure craft, it is generally a producer's combined output of all models and types of pleasure craft that determines the length of his "production run". Moreover most pleasure craft manufacturers in Canada have one production line only - either of aluminum or FRP craft - and consequently for most pleasure craft establishments, the length of their "production run" is equivalent to their plant output.

The Board's survey established that the five largest producers of aluminum pleasure craft in the canoe, utility, runabout field had, in 1971, an annual volume of production ranging from 3,500 to 8,600 units, averaging around 5,200 units. It will be apparent from immediately succeeding paragraphs that this level of yearly output is well above that of the largest FRP producers, substantiating the statement made above that scale or volume of production needs to be, and in fact is, more important in aluminum than in FRP pleasure craft manufacturing. Two of the five producers, including the largest Canadian aluminum craft manufacturer, make all three types of craft, (canoes, utilities and runabouts) as well as a small number of aluminum non-auxiliary sail-boats. Of the other three, one specializes in canoes, one in utilities and one produces both canoes and utilities. Thus, of the five larger producers of aluminum pleasure craft, four produced canoes, four produced utilities and two, runabouts.

The annual output of canoes of the boat producers who make that type of craft averaged close to 1,800 units in 1971; three were well below, and one, the specialist, was well above that level. All four produced two or more models of canoes. The production of aluminum utilities averaged 4,500 units in 1971, with three manufacturers up to 20 per cent below that level and the fourth at least that much above. As with canoes, the annual production of individual models is well below that; the production of the most popular ones, in the 12- to 14-foot range, averaged around 1,500 units. Less popular models were produced in very much smaller volumes.

Because of a lack of similar information, the Board was unable to examine production runs in the United States aluminum pleasure craft industry. However, on the basis of the production records of the largest aluminum utility producer in the United States, it would appear that for some comparable models the annual volume of production in Canada, as outlined above, is about the same as that of the United States manufacturer. However the latter's total output of all aluminum craft is several times that of the Canadian producer; the United States manufacturer makes more models of more types of aluminum craft and, generally speaking, makes more of each.

The twelve largest producers of FRP canoes, utilities and runabouts averaged 1,567 units in 1971, the smallest making 600 and the largest 4,300 units. Nine of the twelve manufacturers made two or more types of FRP pleasure craft, and their output of FRP craft averaged 1,777 units, indicating that pleasure craft manufacturers increase scale by adding more types and models.

Six of the twelve largest FRP pleasure craft producers made canoes. All six firms made FRP utilities as well, and four also manufactured FRP runabouts. These six canoe makers had an annual output of all FRP craft in 1971 averaging 2,234 units, ranging from 1,300

to 4,300 units; their yearly output of canoes averaged 1,330 units with the smallest one producing about a third as much and the largest around twice as much. Of the twelve firms, seven produced FRP utilities, with an average output of 466 units. One specialist produced well above that number.

Nine of the twelve largest FRP craft producers made runabouts, of which three manufactured runabouts only. In 1971, the nine produced an average of 840 runabouts. Excluding the largest and the smallest FRP runabout producer, annual runabout output ranged from 360 to 985 units. Average annual outboard runabout production amounted to 728 units, ranging, again after excluding the largest and smallest of the nine firms, from 360 to 840 units. Fragmentary information suggests that annual plant output of FRP runabouts within the more popular 14- to 16-foot range, seldom exceeds 200 units. Of the nine FRP runabout producers, the four making I/Os produced an average of 250 I/Os in 1971.

Again lack of data prevents a full comparison with FRP producers in the United States. It seems clear, however, that the largest producers of FRP craft in the United States have a much larger annual volume of production than any one of the twelve largest Canadian producers. One medium-sized United States producer making FRP utilities and runabouts, mostly the latter, produced in a single plant more than half of the combined output of the twelve largest producers in Canada. This United States producer made forty FRP models, many more than the largest Canadian producer. Most models were however variations of a smaller number of basic hull sizes. Therefore though the annual output of some models was small, even by comparison with Canadian producers, the annual volume of production for each hull size, i.e., from each mould, was in most instances much greater than in the Canadian pleasure craft industry.

From the data received by the Board, annual production volume for sail-boats, especially auxiliary-powered sailcraft and power cruisers, was relatively sizable for the major Canadian producers of this type of craft. Whereas the Canadian market for any one model of such large and expensive craft is quite limited, an appreciably larger production, and presumably lower per unit costs and improved productivity, is made possible through exports to the United States.

Practical information concerning the impact of the length of production runs on unit cost of production was generally unavailable to the Board. However, Shepherd Boats, Ltd.⁽¹⁾, submitted to the Board a cost study comparing labour and other costs prior to and after a "rationalization" program was put in place. This program reduced greatly the number of different models produced and increased substantially the production run of a certain 36-foot power cruiser model. The study, based on this particular cruiser, demonstrates

(1) Shepherd Boats, Ltd., of Niagara-on-the-Lake, is a subsidiary of Whittaker Corporation, Los Angeles, California, whose over-all operations include the production of metal products, textiles, chemicals and transportation equipment.

rather strikingly the extensive savings in labour and other costs per unit made possible by longer model runs. At the public sittings the spokesman for Shepherd Boats described his company's experience as follows:⁽¹⁾

"When we started off we tried to make all of the Trojan boats in Canada and our experience was that our manufactured cost in Canada was higher than our dealer could go direct to our parent company and import the boat and pay the duties [25 per cent] and taxes. ... since we have rationalized our production this boat which we concentrate on is [the] 36 [footer] we also made when we were making all of the boats so we have got a comparison as to what it cost us under the old system and what it costs us now and I would say the reduction in labour is somewhere around 37%.

"... when we were running the -- all of the Trojan line, we were making three of this, five of that, six of this and we are now running one boat continuously ... and the savings have been quite dramatic ..."

Another area of cost saving mentioned in addition to labour costs was purchasing:

"... where you build many [units of one model] you can get better prices ... [and] you can get something specifically for you that reduces your cost of labour rather than try and make do with something that is available on the market."

The data subsequently given to the Board by Shepherd Boats, Ltd. showed that in this company's experience the (direct labour) man-hours required to construct a 36-foot power cruiser was almost halved when model volume reached twenty-five to thirty units. The data submitted are shown in Chart 4-1. The man-hours employed are in index form to maintain confidentiality.

The marked decrease in man-hours per unit, which occurs between the production of the first few units and the tenth unit, is attributed to the learning process in which the labour force becomes increasingly more proficient through better knowledge of the work involved. The learning process is thought to be a particularly important factor in the production of larger pleasure craft, such as power cruisers and auxiliary-powered sail-boats, because the production methods and procedures employed are inherently ones based on craftsmanship and handwork.

(1) Transcript, Volume II, p. 292-293

Index of
Man-Hours

170

Chart 4-1

Man-Hours in Production Related to
the Number of Units Produced
- 36-foot power cruiser -

160

150

140

130

120

110

100

90

80

0

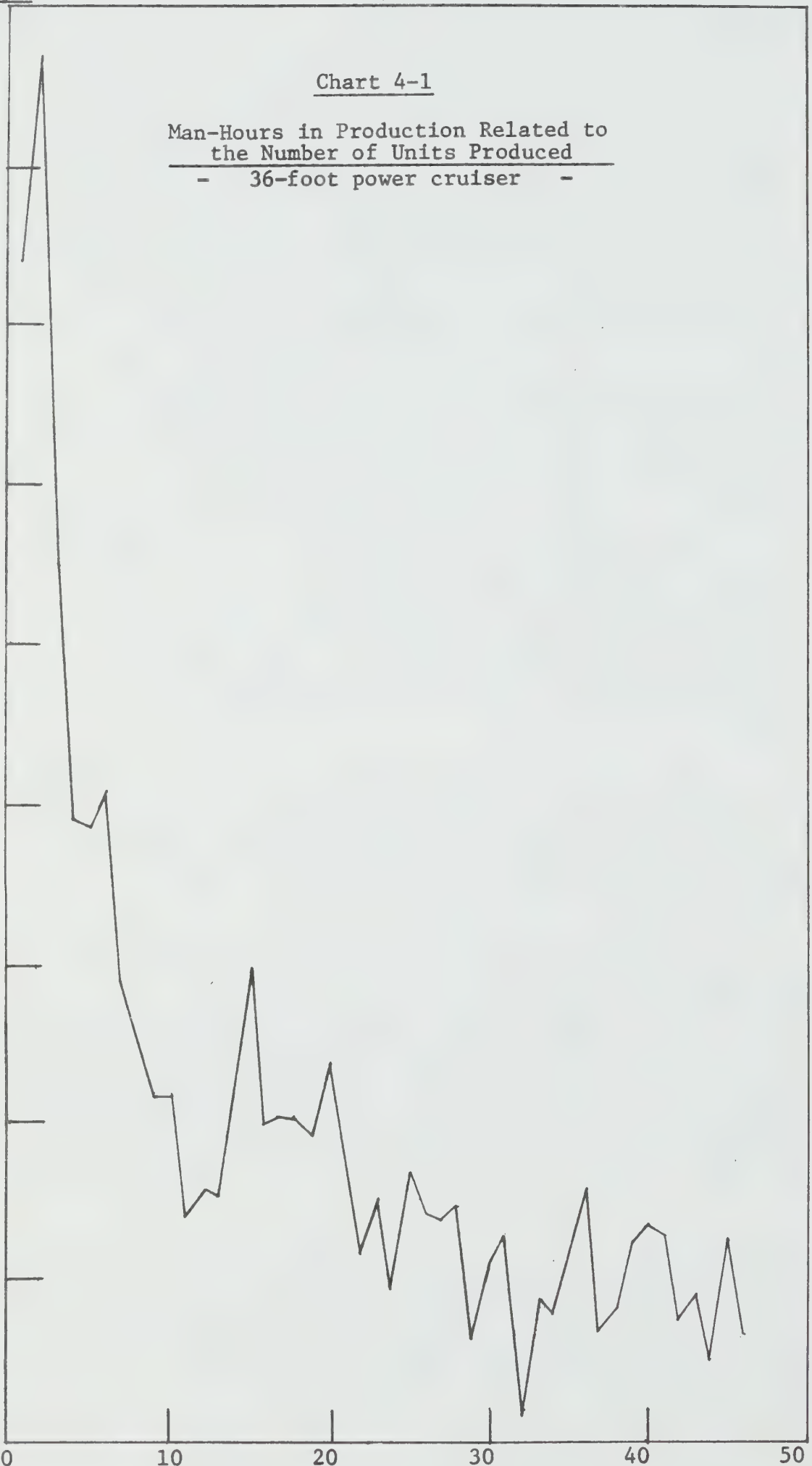
10

20

30

40

50



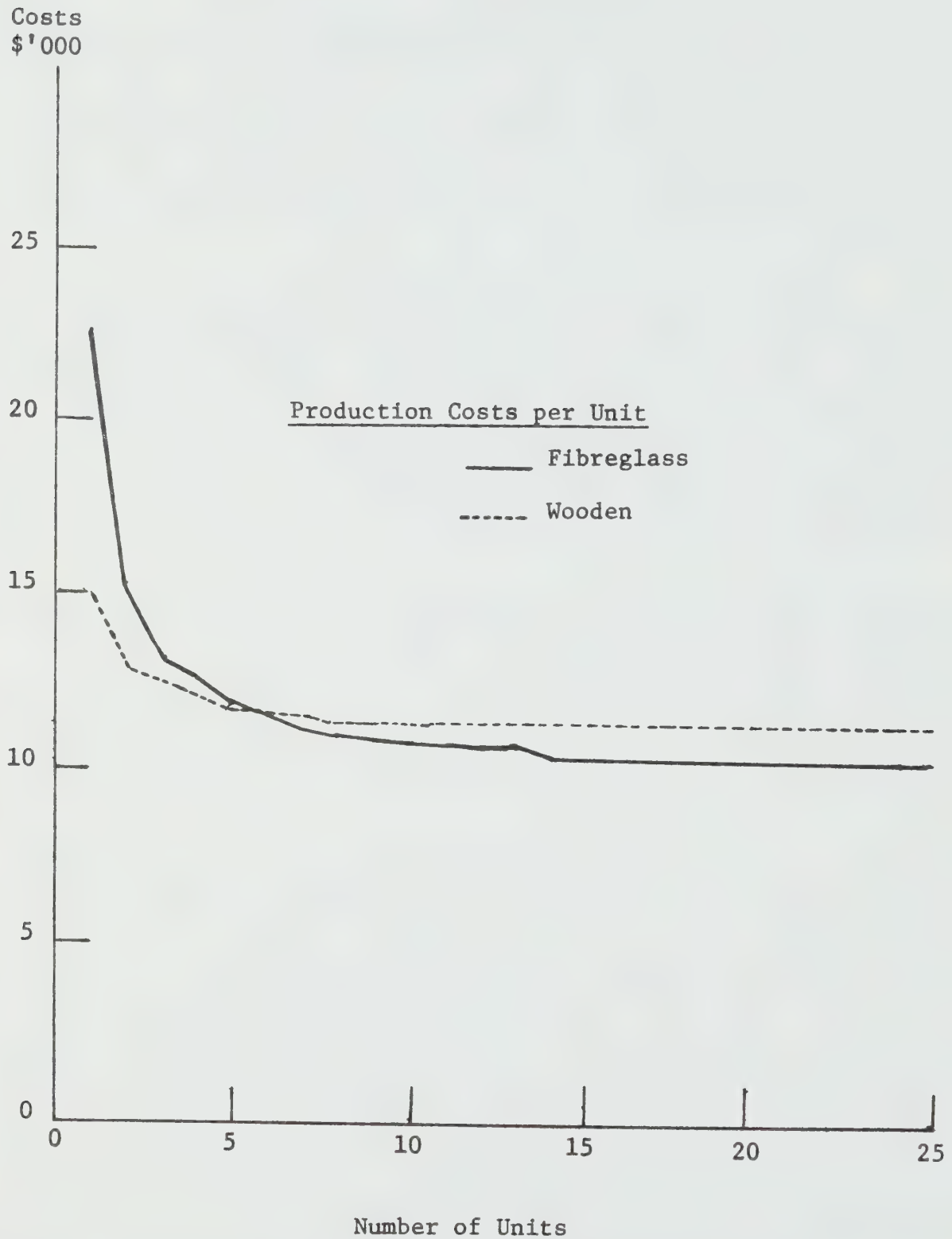
The experience of Shepherd Boats, Ltd. also demonstrates the advantages of longer production (model) runs. The same advantages can accrue to many other producers in the Canadian pleasure craft industry, particularly to other manufacturers of large craft; it should be noted that the learning process would presumably be much less important in the manufacture of small craft, e.g., canoes and utilities, where construction methods are less complex and the needed skills are more easily acquired.

The contribution which longer production runs can make in reducing per unit overhead costs, is well-illustrated by per unit mould costs. Master moulds, especially for larger FRP boats, represent a major capital investment. Several moulds may be employed for different superstructure and decking designs in addition to the hull mould itself. One of the principal benefits of volume production is that it makes possible the allocation of the cost of moulds over a large number of units.

Chart 4-2 is taken directly from a study by Mr. John Brandlmayr which appeared in the June, 1961, issue of the Engineering Journal. The author's purpose was to do a comparative evaluation of plywoods and plastics in boat construction. The data presented also serve to illustrate the close relationship which exists between production costs per unit and the length of production runs. This is given for both a wooden and an FRP 35-foot sloop. While the study is not a recent one, it still retains its importance as a factual cost analysis specifically related to model runs in pleasure craft manufacture.

Brandlmayr explains that "three chief cost factors are affected by the material of construction: 1. cost of design, lofting, permanent jigs and moulds; 2. maintenance of jigs and moulds; and 3. material, labour and overhead costs involved in construction. He concludes that "Items 1 and 2 are low for a wooden vessel and high for a fibreglass boat due to the cost of moulds. Item 3 is low for a moulded glass hull because of the greatly reduced labour time involved. Material costs are slightly higher for fibreglass than for wood".

In Chart 4-2, which is reproduced from Brandlmayr's article, the production cost curves displayed make evident the substantial savings in per unit cost achieved as the number of units produced increases. The volume of production need not be very high, six or so units, before the bulk of the savings in unit cost are realized. Production costs for the FRP model drop much more than in the case of the wooden sloop, as a few further units are made, thereby reflecting the importance of the mould costs. The author concludes: "Unit costs for glass boats are higher than for wood boats if fewer than six units are built. After the sixth unit the glass boats are cheaper and in this case the curves level out with the glass sloops about 10 per cent below the costs in wood when built in quantities over 10." While the sharp and large decline in FRP unit costs is attributable largely to the amortization of fixed costs per unit, mainly mould costs, it can probably be said that the effect of the "learning" curve in increasing labour productivity, is also a contributing factor, as indeed it is in the case of the wooden craft. It can be expected that the 10 per cent lower per unit cost for the FRP sloops, once the cost curve levels out, is a direct result of the substitution of semi-skilled fibreglass workers for the skilled wood-workers who are required in the construction of wooden hulls.

Chart 4-2Cost Comparison of Wooden and Fibreglass Sloops of 35 Feet

Source: John Brandlmayr, "An Evaluation of Plywoods and Plastics in Boat Construction", the Engineering Journal, June, 1961, p. 55-61

From all evidence available to the Board it appears, therefore, that the length of production of a given model of craft is not a significant factor in determining unit costs of production in the manufacture of smaller pleasure craft such as canoes, utilities and runabouts because of the relative ease and speed with which the manufacturer can change over from one model, hull size and type of craft to another. Rather, it appears that scale of production, i.e., the combined volume of all models, hull sizes and types of craft produced, is the main factor influencing unit costs of production. The much greater importance of scale of production, as opposed to length of model production runs, in the case of smaller pleasure craft suggests that there is relatively little incentive to seek a higher degree of specialization. Indeed, it would appear that the smaller pleasure craft producer can obtain substantial economies of scale by expanding his output through diversification by adding more models and hull sizes, and even different types of craft, to his existing product line. The fact, that in the production of smaller pleasure craft, total plant output can be increased through product diversification without encountering significant additional costs resulting from frequent change-overs, indicates that the limited size and the dispersed nature of the Canadian market is not as important a handicap as it is in so many other Canadian manufacturing industries.

The nature of the Canadian market is, however, an important factor determining the cost of producing large pleasure craft such as power cruisers and auxiliary sail-boats. In these instances the number produced of a given model, is a significant determinant of unit costs of production, as illustrated in Charts 4-1 and 4-2, because change-overs do involve significant additional costs. The cost advantage of specialization, at least beyond a certain volume of production, is substantial. The small Canadian market for these larger pleasure craft, does not, however, provide much opportunity for long production runs; the volume specialization that is taking place in these sectors of the pleasure craft industry is based and depends on export markets.

EMPLOYMENT AND LABOUR COSTS

The following estimates of employment in the pleasure craft industry, in 1971, are based on compilations made by Statistics Canada and on the Board's own survey of the industry.

Number of Employees

According to the Board's industry survey concerning 137 establishments, total employment in the pleasure craft industry was 2,900 in 1971: 2,409 were classified as production workers, 459 as administrative and office employees and sales and distribution workers, 32 as working owners or partners. While the figure of 2,900 is used in this Report as the total permanent employment in the pleasure craft industry in 1971, some overcount may exist because a number of survey returns apparently included seasonal production workers in the employment totals submitted. On the other hand, this possible overcount is probably offset by an undercount in the number of pleasure craft manufacturers surveyed - as already indicated some 47 (small) producers did not reply to the Board's survey questionnaire which was sent to 184 known producers.

As pointed out previously, a number of establishments which produce pleasure craft are classified by Statistics Canada to industrial sectors other than the Boatbuilding and Repair Industry. Many of these establishments are multiproduct concerns and employment figures given to the Board represented only approximations of the proportion of their work force engaged in pleasure craft construction. It is estimated that establishments account for 350 to 400 employees of the total permanent employment of 2,900 mentioned above.

Given the seasonal nature of the pleasure craft industry, employment expands notably in the spring and early summer months. According to a 1971 sample of forty-five major establishments reporting monthly employment, the largest work force was about 20 to 25 per cent above the annual average employment. This peak period is in April, May, and June, with the lowest employment running from approximately the end of August to the end of December. As a rough, maximum estimate, peak seasonal employment may be 650 to 750 production workers above the average employment for the year as a whole; peak seasonal employment in the pleasure craft industry in 1971, therefore, might be 3,550 to 3,650.

During the 1972 year total employment in the Boatbuilding and Repair Industry increased by 400 persons according to more recent Statistics Canada data. Since most of this increase is attributed to greater pleasure craft production, permanent employment in the pleasure craft industry, including working owners and partners, was probably about 3,300 in 1972, with peak seasonal employment in that year at approximately 4,000.

Regional Distribution of Employment

Using as the permanent employment base a total of 2,900 employees, the distribution of this labour force by region was estimated as follows for 1971:

Table 4.7: Distribution by Region of Total Employees^(a) in the Pleasure Craft Industry and in Manufacturing Industries in Canada, 1971

Region/Prov.	Pleasure Craft Industry		All Manufacturing Industries
	Number	Percentage	Percentage
Ontario	1,525	52.6	49.1
Quebec	563	19.4	31.2
B.C.	363	12.5	8.0 ^(b)
Prairies	233	8.0	7.1
Atlantic	216	7.5	4.6
Canada	2,900	100.0	100.0

(a) Includes working owners and partners .

(b) Includes Yukon and Northwest Territories

Source: Tariff Board Survey and Statistics Canada

Again the high concentration in Ontario and Quebec is eminently clear. The figure of 7.5 per cent in the Atlantic region masks the fact that only about 4 per cent of the total value of production is located in that region. Roughly the same situation obtains with respect to the Prairie region. The third column in Table 4.7 shows that, in 1971, with the exception of Quebec, the share of all regions of employment in manufacturing as a whole in Canada was lower than their share of employment in the pleasure craft industry; whereas Quebec had some 31 per cent of employment in all manufacturing industries in Canada, it had only about 19 per cent of all employment in the pleasure craft industry.

Trend in Total Employment

Because of the difficulties attaching to an employment survey of the numerous establishments comprising the pleasure craft industry in Canada, the Board did not attempt to compile trend data pertaining to employment. However, a good indication of employment expansion can be derived from the employment figures for the Boat-building and Repair Industry as a whole. These are set out in Table 4.8, by occupation, for selected years from 1961 to 1972, the latest available.

Table 4.8: Employment in the Boatbuilding and Repair Industry by Occupation, Selected Years, 1961-72

Year	No. of Estab- lishments	Production & Related Workers	Adminis- tration & Office	Sales, Dis- tribution & Other	Working Owners & Partners	Total Employ- ment
1961	233	1,058	270 ^(a)	..	215	1,543
1962	242	1,208	179	47	222	1,656
1965	242	1,568	262	46	194	2,070
1967	249	1,813	294	52	167	2,326
1969	224	2,238	386	72	109	2,805
1970	236	2,296	363	46	133	2,838
1971	250	2,225	352	61	114	2,752
1972	239	2,569	393	83	107	3,152

(a) Includes sales, distribution and other

Source: Statistics Canada

Assuming that in 1961 some 200 to 300 employees of the total of 1,543 were engaged in commercial boat-building and repairs, total employment in the pleasure craft manufacturing establishments within the Boatbuilding and Repair Industry (that is within S.I.C. 328 only), more than doubled between 1961 and 1972, especially if account is taken of employment changes, probably parallel increases, among pleasure craft producers who are not included in the Boatbuilding and Repair Industry on which the above figures are based.

It is estimated that all of the increase of 1,609 (from 1,543 in 1961 to 3,152 in 1972) is attributable to the growth in pleasure craft construction. Shipment figures for commercial boats, available for 1965 to 1971, reveal that commercial boat production and repair has remained fairly steady at approximately \$3 million per annum, in constant dollars, in recent years.

Most of the increase in employment shown in Table 4.8 has taken place in the number of production workers, by far the largest group. Moreover, the ratio of production workers to employees engaged in administration, office, sales and distribution has not altered much since 1961.

It is to be noted also that the number of working owners and partners has decreased by over half, from 215 to 107. This trend probably reflects the increase in the average size of boat-building establishments since 1961 and the consequent incorporation of more enterprises. There may also be a growing preference for incorporation among small business enterprises. A parallel trend to fewer working owners and partners is also evident in manufacturing activity as a whole in Canada; in 1961 some 17,000 working owners and partners were recorded for all manufacturing industries as compared to 10,000 in 1971.

The ratio of production workers to total employees is higher in the Boatbuilding and Repair Industry at 85 per cent than the average for all manufacturing establishments in Canada, 72 per cent. This may be a reflection of the higher percentage of smaller firms in the pleasure craft industry; the proportion of production workers to total employees usually being higher in small firms.

Employment by Product Group

It is possible to present only partial figures on the distribution of employment according to type of pleasure craft or product group. Many pleasure boat manufacturers produce different craft within one or more product groups. Among the manufacturers of smaller pleasure boats, many produce canoes, utilities and runabouts, and it is not possible for such establishments to report employment by type of craft. However, as discussed below in the section on specialization, the majority of establishments in the pleasure craft industry are "specialists" in that they produce craft which fall within only one product group. Table 4.13 (page 108) sets out at least a partial breakdown of production workers, by product group, for specialists and non-specialists. The table yields a particularly good (1971) estimate of the number of production workers in the sailcraft sector: the 715 workers shown as employed in firms specializing in sail-boat production account for over 96 per cent of all shipments of sailcraft. The corresponding percentage for power cruisers and "other boats" are also high at 83 and 86 per cent respectively. They are much lower, however, for canoes, utilities and runabouts at 42, 21 and 32 per cent, respectively, reflecting the relative lesser importance of "specialists" in the production of these types of craft.

Nonetheless, employment by product group can be estimated if one assumes that the production of a given type of craft by a "non-specialist" firm requires proportionately the same number of production workers as when it is produced by a "specialist" firm. (It is recognized that this working assumption probably favours, somewhat, production per worker by non-specialists.) On this basis, using the data given in Table 4.13, it is likely that total sailcraft production in 1971 involved a work force of 740 to 750 production workers; power cruisers, a work force of 270 to 290; and "other boats", a work force of 160 to 170. A further breakdown between the canoe, utility, and runabout sectors is difficult because, as already noted, these types of craft are frequently made by the same establishment. Of a total of 2,409 production workers engaged in all pleasure craft manufacturing, it is estimated that probably 1,200 to 1,240 were required in the production of canoes, utilities and runabouts, with the latter accounting for some 60 per cent or approximately 750 workers.

Payroll and Average Earnings

Table 4.9 provides further information respecting the structure of employment and earnings in the Boatbuilding and Repair Industry, and compares this industry to all manufacturing industries, in 1971.

The annual average earnings of production workers, and of employees classified to administrative office, sales and distribution functions in the Boatbuilding and Repair Industry, are only about 81 per cent of the average earnings in all manufacturing industries.

Table 4.9: Payroll and Average Earnings - Boatbuilding and Repair Industry
Compared to All Manufacturing Industries

	Boatbuilding and Repair 1972			Boatbuilding and Repair 1971			All Manufacturing 1971 (b)			Boatbuilding and Repair as % of All Manufac- turing, 1971 %
	Number	Wages and Salaries \$'000	Annual Average Earnings \$	Number	Wages and Salaries \$'000	Annual Average Earnings \$	Number	Wages and Salaries \$'000	Annual Average Earnings \$	
Production Workers	2,569	15,308	5,959	2,225	12,085	5,431	1,167,810	7,819,050	6,695	81.1
Administrative, office, sales, distribution and other employees	476	4,178	8,777	413	3,115	7,542	460,594	4,310,847	9,359	80.6
<u>Total Employees</u>	3,045	19,486	6,399	2,638	15,200	5,762	1,628,404	12,129,897	7,449	77.4
Working Owners and Partners	107	604(a)	5,645	114	585(a)	5,132	10,286	60,939(a)	5,924	86.6
<u>Total Manpower</u>	3,152	20,090	6,374	2,752	15,785	5,736	1,638,690	12,190,836	7,439	77.1

(a) Wages and salaries are reported as withdrawals by working owners and partners.

(b) Latest figures available

Source: Derived from Statistics Canada data

Average remuneration claimed by working owners and partners, recorded as "withdrawals", is some 87 per cent of the corresponding average for All Manufacturing. Even lower percentages are shown for the Total Employee and Total Manpower average earnings, 77.4 and 77.1 per cent respectively, reflecting the comparatively higher proportion of production workers with lower annual earnings in the Boatbuilding and Repair Industry. It is to be noted that, both within the Boatbuilding and Repair Industry and in manufacturing industries taken as a whole, the average annual earnings ("withdrawals") of working owners and partners, usually found in small enterprises, are the lowest.

Wage Rates

From its study of 1971 wage data, available for seventy-two of the larger pleasure craft manufacturers in Canada, the Board has found that average plant wage rates paid vary significantly both regionally and as between establishments within the same geographic area. The results, by region, are set out in Table 4.10.

As one would expect, two main factors appear to govern the wage rates paid by establishments in the pleasure craft industry: the general hourly rate of pay prevailing for manufacturing employment in the region and differences in the nature of the work performed.

Average hourly earnings in the pleasure craft industry of \$2.68 in 1971 were 16 per cent lower than the average for All Manufacturing, at \$3.19. Hourly earnings paid in the pleasure craft industry were, furthermore, 24 per cent below the average of \$3.55 an hour paid by Canadian durable goods manufacturers in 1971.

Hourly earnings data for pleasure craft manufacturers exhibit very prominent regional differentials, which are, however, roughly in line with the normal regional pattern for manufacturing wage rates in Canada.

Table 4.10: Hourly Wage Rates in the Pleasure Craft Industry, by Region, Compared to Rates in All Manufacturing, 1971

<u>Region/Prov.</u>	<u>Pleasure Craft Manufacturers</u>		<u>All Manufacturing</u>	
	Average Hourly Earnings \$	As Index (a) (\$2.68 = 100)	Average Hourly Earnings \$	As Index (a) (\$3.19 = 100)
Atlantic	2.14	80	2.58	81
Quebec	2.21	82	2.81	88
Ontario	2.83	106	3.40	107
Prairies	2.29	85	3.09	97
B.C.	3.09	115	3.96	124
Canada	2.68	100	3.19	100

(a) These are weighted averages of hourly earnings arrived at by dividing total wages paid by total man-hours worked.

Source: Tariff Board Survey and Statistics Canada

Wage rates in the pleasure craft industry are lower in the Atlantic Provinces, in Quebec and in the Prairie Provinces, with higher rates occurring in Ontario and considerably higher rates in British Columbia. Approximately parallel regional variations occur in wage rates paid to All Manufacturing workers in Canada but, as already pointed out, these are higher in all regions.

Wage rate calculations given above for pleasure craft establishments are believed to be representative. Although the data presented are based on a sample of only seventy-two establishments, these account for the bulk of recreational boat production and employment. The calculated national average wage rate of \$2.68 for production workers engaged in pleasure craft manufacture is very close, furthermore, to the average rate of \$2.61, calculated by Statistics Canada, for all production workers in the 250 establishments composing the Boatbuilding and Repair Industry in 1971. It is noted also that the average wage rate paid for aluminum pleasure craft manufacturers does not appear to depart noticeably from the industry average of \$2.68.

Wage rates also vary according to the type of pleasure craft produced by an establishment. In Ontario, for example, the weighted average wage rate for a group of five major FRP runabout producers was \$2.36 an hour in 1971 compared to \$3.22 an hour for a group of seven manufacturers of FRP cruising sail-boats and power cruisers. Most of the difference is attributable to differing levels of skills required; producers of larger pleasure craft require a comparatively skilled and highly paid work force, whereas smaller craft (canoes, utilities and runabouts, whether of aluminum or FRP) are constructed largely by an unskilled or semi-skilled work force.

The construction of cruising sail-boats and power cruisers requires skilled tradesmen, such as electricians, wood-workers and mechanics, to install the often complex power, electrical and electronic systems involved. More individual or custom work and interior finishing is normally entailed in such larger craft, which is costly in terms of skilled man-hours.

Production methods are also a factor influencing the composition of the work force. FRP techniques, for example, are learned readily and workers are normally rated as being unskilled or semi-skilled. Where volume is sufficient, the use of FRP structures, as opposed to wood, for certain interior and exterior parts, permits to some degree the substitution of unskilled for skilled labour. This sort of substitution is also made possible, where volume permits, by the prefabrication of parts and components prior to assembly.

Regional differences in wage rates or hourly earnings do not necessarily imply advantages or disadvantages in labour costs per unit of output. Unit labour costs combine the cost of labour and its productivity. For instance, the Atlantic region has, according to Table 4.10, an advantage in average wage rates of some 30 per cent over Ontario. However, if productivity were lower in the Atlantic region by some 30 per cent, or more, then unit labour costs in the Atlantic region would be at least as high as in Ontario. On the other hand, regions with a relative disadvantage in average wage rates not only may, but also must, have higher productivity, which may in turn necessitate a more aggressive marketing posture to increase volume and to realize economies of scale. Wage rates are only one part of the labour cost equation. Productivity or efficiency, the other component will be considered in the next section.

VALUE ADDED BY MANUFACTURING

The "value added" by an industry, such as the pleasure craft industry, whether it be the value added by its manufacturing activity only or by its total activity, is one measure of the value of the output of that industry and of its contribution to total national output. Statistics Canada defines value added broadly as "gross output less purchased commodity inputs used and contract work by others."⁽¹⁾

Only broad, aggregate figures on the value added by manufacturing in the pleasure craft industry can be derived from the Board's survey. This value added was calculated at \$21.5 million in 1971, or 48.5 per cent of the pleasure craft industry's shipments of \$44.3 million in that year. Thus, for every dollar of materials and supplies, pleasure craft accessories and equipment, motors, engines, fuel and electricity used by the industry, it "added value" of nearly another dollar in the form of wages and salaries, depreciation allowances, debt charges, profits, etc. The 48.5 per cent compares favourably with the corresponding percentage for All Manufacturing which was 43.2 per cent in 1971.

The more detailed analysis of value added which follows relates to the Boatbuilding and Repair Industry on a total activity basis.⁽²⁾ As already stated, the pleasure craft industry constitutes the bulk of the Boatbuilding and Repair Industry.

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- (1) The more detailed definition or measure of "value added, manufacturing activity", and "value added, total activity", used by Statistics Canada, is as follows:

Value added, manufacturing activity: Value of shipments of goods of own manufacture plus net change in inventory of goods in process and finished goods, less cost of materials and supplies used, fuel and electricity;

Value added, total activity: Consists of (1) value added, manufacturing activity and (2) value added, non-manufacturing activity; the latter is calculated by subtracting relevant commodity inputs from non-manufacturing revenues or outputs; these commodity inputs are net of the change in inventories of goods purchased for resale. Non-manufacturing revenues include depreciable fixed assets produced by own work force for own use, revenue from product rentals, etc., but exclude non-operating revenue such as real property rentals, dividends, interest.

- (2) Value added by manufacturing in the Boatbuilding and Repair Industry is used in this Report only when comparisons are made with value added (by manufacturing) in the pleasure craft industry as derived from the Board's survey of 1971.

The value added by total activity in boatbuilding and repair increased from \$13.4 million in 1965 to \$32.8 million in 1972. Table 4.11 sets out the value added by total activity in that industry as a percentage of its total value of shipments. This percentage has been declining steadily - from 51.4 in 1965 to 46.6 in 1972.

Table 4.11: Boatbuilding and Repair Industry: Value Added by Total Activity as a Percentage of Value of Shipments, by Size Group, Selected Years, 1965-1972

Size Group by Value of Shipments	Value Added as a Per Cent of Value of Shipments				
	1965	1967	1969	1971	1972
	- per cent -				
Under \$ 10,000	64.1	68.8	68.1	51.2	41.6
\$ 10,000-\$ 24,999	59.8	66.3	64.2	48.4	52.1
\$ 25,000-\$ 49,999	56.9	60.9	58.1	51.1	50.2
\$ 50,000-\$ 99,999	53.9	56.7	56.7	48.0	48.5
\$ 100,000-\$ 199,999	52.7	54.1	51.2	46.6	50.2
\$ 200,000-\$ 499,999	49.5	48.6	51.5	54.0	49.5
\$ 500,000-\$ 999,999	{49.1}	52.1	42.4	47.4	47.6
\$1,000,000-\$4,999,999		44.3	45.5	42.6	44.3
\$5,000,000 and Over	-	-	-	-	-
<u>Total</u>	51.4	51.3	48.3	46.9	46.6

Source: Statistics Canada

One likely explanation for the decline in the percentage of value added to value of shipments in the Boatbuilding and Repair Industry, is that the building and repair of commercial boats, a labour intensive activity, with, therefore a high degree of value added, has become relatively less important in the industry. (Building and repairing commercial boats, such as boats for the inshore fishery, was in large part carried out in small establishments, with mostly manual techniques.) This development probably explains the particularly sharp decline in the percentage of value added to value of shipments in the smaller establishments, as shown in Table 4.11.

Another factor contributing to a lower percentage of value added is that the role of the traditional boat maker and of the skilled craftsman has diminished as establishment size and scale of production increased and as new hull materials and construction techniques gained ground. The work involved in making an FRP boat rather than a wooden one is considerably less, relative to the cost of materials. Moreover the traditional boat-builder was inclined to make his own hardware, while the pleasure craft manufacturer normally purchases the pleasure craft accessories he requires, a change which adds to the cost of material and reduces the amount of value added.

The decline in value added by total activity as a percentage of the value in shipments for the Boatbuilding and Repair Industry is also very much a reflection of the shifts in the relative importance of the various types of pleasure craft produced by the industry. Value added varies considerably from one type of craft to another. According to information supplied to the Board by forty-two establishments specializing in one type of pleasure craft, value added by manufacturing as a percentage of shipments was highest for sail-boats, canoes and "other boats", and lowest for runabouts, utility-boats and power cruisers: 53.5 per cent, 57.3 per cent, 61.0 per cent, 44.4 per cent, 40.5 per cent and 39.6 per cent, respectively. The production of relatively more sail-boats and canoes raises the extent of value added, whereas when relatively more I/Os and power cruisers are produced, the extent of value added falls.

The inboard/outboards and power cruisers appear to have a lower value added because these large craft usually leave the manufacturer with the motor or engine installed, whereas other smaller pleasure craft are almost always shipped without the motor. Although installing the engine or inboard/outboard motor adds something to value added, this is more than offset by the increase in material costs resulting from the purchase of the expensive power units, thus substantially lowering the ratio of value added to total cost. It is readily apparent that as these larger, more expensive craft have accounted for a larger share of the industry's output, the effect is to diminish the proportion of value added in the industry.

Wages and salaries, including withdrawals of working owners and partners, constitute the largest single component of the value added by pleasure craft construction. It accounted for 61.3 per cent of value added by the Boatbuilding and Repair Industry in 1972 and this proportion has basically not changed since 1965. For the pleasure craft industry, according to the Board's survey, it was 60.9 per cent in 1971.

Table 4.12: Boatbuilding and Repair Industry: Wages and Salaries^(a) as a Percentage of Value Added, by Size Group, Selected Years, 1965-1972

Size Group by Value of Shipments \$	Wages and Salaries as a % of Value Added				
	1965	1967	1969	1971	1972
	- per cent -				
Under \$ 24,999	73.2	66.8	64.6	84.5	90.3
\$ 25,000 - \$ 49,999	62.8	60.5	69.5	83.7	82.2
\$ 50,000 - \$ 99,999	62.8	64.0	68.3	72.1	69.5
\$ 100,000 - \$ 199,999	60.4	64.3	65.3	66.8	{63.7}
\$ 200,000 - \$ 499,999	63.0	62.6	61.9	64.4	
\$ 500,000 - \$ 999,999	55.1	68.7	{62.7}	62.9	62.0
\$1,000,000 - \$4,999,999	60.6	57.8		56.1	57.1
\$5,000,000 and Over	-	-	-	-	-
<u>Total</u>	61.0	63.1	63.6	62.9	61.3

(a) Includes withdrawals by working owners and partners

Source: Statistics Canada

It is noteworthy that the relative importance of wages and salaries as a component of value added in the larger establishments, has diminished somewhat, especially since 1967; for those establishments with shipments in excess of \$100,000 annually it dropped from 62.9 per cent in 1967 to 59.9 per cent in 1972. Thus the total of the other components of value added such as capital depreciation, interest payments and return on investment rose correspondingly from 37.1 per cent to 40.1 per cent.

The high percentage of value added which goes to labour costs in the pleasure craft industry makes this industry, at home and abroad, particularly vulnerable to rapid and substantial increases in salaries and wages. This is especially true in small establishments where labour costs reach 80 per cent or more of value added.

For the smaller size groups, the 132 establishments with annual shipments of less than \$100,000, labour costs in 1972 represented 75 per cent of value added as against 66 per cent in 1965. The share of the other components of value added, including return on investment, has consequently declined for these smaller establishments, to less than 25 per cent of value added, or to less than 13 per cent of sales. These 132 establishments employed 446 people (including working owners and partners) in 1972, some 14 per cent of total employment in the Boatbuilding and Repair Industry.

INDUSTRY EFFICIENCY AND PRODUCTIVITY

Efficiency or, more precisely, productivity in the pleasure craft manufacturing industry can be estimated by the value of its net output, its "value added", relative to the total value of the various inputs expended to produce it, such as the number of man-hours, the investment in plant, machinery and equipment, management skill, and marketing effort. The higher the quality of these inputs, and the more efficiently they are coordinated and used, the greater their collective return and the industry's productivity will be. Efficiency or productivity at both the establishment and the industry level can be influenced by a number of factors, the major ones being the length of production runs, the scale of production, and the degree of specialization or diversification.

The length of production runs in the pleasure craft industry was discussed previously in this chapter. It was found that the length of run in this industry, largely because of its current production methods and techniques, was not a significant factor in determining its unit production costs and its productivity. It appeared that the additional costs involved in changing over from one hull size or model, and even from one type of pleasure craft to another, was not a particularly important factor in the costs and productivity of most Canadian pleasure craft manufacturers. The important factor influencing costs and productivity appeared to be the total volume of plant output or scale of plant production.

Productivity and efficiency at the industry level, in contrast to the establishment level, is influenced not only by such factors as the degree of specialization, establishment size and management skill, but also by the industry's structure or its degree of

concentration. The pleasure craft industry is composed of many establishments, small and large, specialized and non-specialized, producing different types of pleasure craft in all parts of Canada. Each has its own level of productivity performance. Efficiency or productivity, at the industry level, is consequently influenced greatly by the relative importance of these various groups of producers within the industry.

This section examines the degree to which production in the pleasure craft industry is specialized, the size of establishments, and the extent to which industry activity is concentrated in the larger firms. An attempt is then made to relate these considerations to the productivity performance of the industry as a whole and to compare it to that of all manufacturing industries in Canada.

Specialization

Specialization, as contrasted to diversification, normally refers to the production by a manufacturer of one product, or model of product, of a specific design and size. This degree of specialization is virtually non-existent in the Canadian pleasure craft industry. Therefore, specialization in this Report refers to the concentration of a manufacturer's production in one type of craft or product group.

Of the 137 establishments that responded to the Board's survey, 93, or 68 per cent, specialized in one product group (See Table 4.13). These accounted for 63 per cent of the reported value of shipments and 65 per cent of the reported production workers.

The degree of specialization is highest in the production of sailcraft and power cruisers: of the forty-three establishments which in 1971 reported the production of sail-boats, some thirty-one, or 72 per cent, produced sail-boats only. The corresponding figures for power cruisers are sixteen out of twenty-five, or 64 per cent. The "specialists" in the sailcraft and power cruiser categories produce the bulk of the craft made in these two categories, namely 96 and 84 per cent of the value, respectively.

The lowest degree of specialization is in the utilities group; the specialists accounted for around 20 per cent of all establishments, of the number and of the value of boats produced, and only 10 per cent of production manpower. While there are a number of firms which specialize in the high volume product groups, (canoes, utilities and, to a lesser extent, runabouts), specialization in these product groups tends to be the exception rather than the rule. Usually a manufacturer of these types of boats concentrates on one particular product group, say canoes, and then expands his line to include some or the other boats.

Producers who concentrate on runabout production will often round out their product line by producing smaller craft in the utility or canoe class, or larger craft in the small power cruiser field. Recently, some of these firms have experimented with sail-boards and small sail-boats in an attempt to broaden their product line and at the same time capture a portion of this rapidly growing part of the sail-boat market.

Since the Board's survey covered 1971 only, the change in the degree of specialization by product group over time cannot be determined. There are, however, indications that it has increased. Sail-boat construction has accounted for an increasing proportion of industry activity, and it is precisely this segment of the industry which is most specialized.

Table 4.13: Production and Employment in Establishments Which Specialize in One Product Group, 1971

Product Group	Establishments			Production Workers			Factory Shipments					
	Total No.	Specializing		Total No.	Specializing		Total No.	Specializing				
		No.	Per Cent		No.	Per Cent		No.	Per Cent			
Canoes	35	11	31.4	721	194	26.9	22,892	8,858	38.7	3,171	1,321	41.7
Utilities	38	7	18.4	584	61	10.4	26,043	5,935	22.8	4,238	874	20.6
Runabouts	44	18	40.9	874	210	24.0	13,991	4,648	33.2	13,520	4,357	32.2
Sail-boats	43	31	72.1	1,021	715	70.0	4,492	3,520	78.4	14,730	14,167	96.2
Power Cruisers	25	16	64.0	404	233	57.7	359	228	63.5	6,721	5,604	83.4
Other Boats (c)	14	10	71.4	176	143	81.3	3,273	2,876	87.9	1,939	1,672	86.2
Total	[137 ^(a)]	93	67.9	[2,409 ^(b)]	1,556 ^(b)	64.6	71,050	26,065	36.7	44,319	27,995	63.2

(a) The total is not additive; many establishments produce craft in more than one product group.

(b) Partly estimated

(c) Includes, principally, houseboats, multihull sailcraft and pedal-boats

Source: Tariff Board Survey and Statistics Canada

Establishment Size and Concentration

The average size of establishments in the pleasure craft industry, whether in terms of employment or volume or value of production, is relatively small. The average value of shipments for the 137 establishments responding to the Board's survey in 1971 was \$323,499, compared with \$1,575,652⁽¹⁾ in 1971 for all manufacturing establishments.

Table 4.14: Average Pleasure Craft Production per Establishment,
by Region, 1971

<u>Region/Prov.</u>	<u>No. of Estab's</u>	<u>Total Production</u>		<u>Av. Production</u>	
		<u>Units</u>	<u>Value</u> \$	<u>Units</u>	<u>Value</u> \$
Atlantic	13	2,791	1,887,421	215	145,186
Quebec	30	25,735	7,951,396	858	265,047
Ontario	56	33,039	24,119,918	590	430,713
Prairies	9	4,040	2,047,752	449	227,528
B.C.	29	5,445	8,312,827	188	286,649
<u>Total Canada</u>	137	71,050	44,319,314	519	323,499

Source: Tariff Board Survey and Statistics Canada

As shown in Table 4.14 the average establishment in the pleasure craft industry, measured by value of shipments, is smallest in the Atlantic region. The average Ontario establishment is the largest in Canada; nearly three times as large as that in the Atlantic region. The average size in the other three regions lies approximately halfway in between these two. When measured in terms of number of units produced, not unexpectedly a different regional alignment results. Quebec, concentrating more than other regions on lower-value pleasure craft such as utilities and outboards, now ranks highest, with an average of 858 units, while British Columbia, concentrating more on higher-value power cruisers, is lowest.

The industry is very much concentrated, in terms of output and employment, in the larger establishments (See Table 4.15). Only a small proportion of total industry activity is accounted for by the large number of smaller establishments. Eighty-eight, or two thirds of the establishments surveyed, produced only about 15 per cent of the industry's output in 1971 and employed only about 29 per cent of the industry's work force; none of them produced more than \$200,000 in that year and their average production was \$74,350 per establishment. In contrast, the largest eleven establishments accounted for some 27 per cent of total industry employment and produced about 47 per cent of the total value of factory shipments. These eleven produced between \$1 and \$5 million each, for an average production per establishment of \$1,875,905.

(1) Statistics Canada, Census of Manufactures, Cat. No. 31-203, gives a total of 31,908 establishments manufacturing in Canada in 1971, with a total value of shipments of goods of own manufacture of \$50.3 billion for an average of \$1,575,652.

Thus the bulk of the production of pleasure craft is accounted for by a small number of relatively large producers. This is true for the pleasure craft industry as a whole and for each of the main types of boats or product groups; the top 20 per cent of the producers in each product group account for 70 to 80 per cent of the value of production of that type of craft.

Table 4.15: Distribution of Employment and Value of Shipments in the Pleasure Craft Industry by Production Size Group, 1971

<u>Employment</u>			
<u>Size Group by Value of Shipments</u>	<u>Number</u>	<u>% of Total</u>	<u>Cumulative Percentage</u>
Under \$10,000	46	1.6	1.6
\$ 10,000 - \$ 24,999	47	1.6	3.2
\$ 25,000 - \$ 49,999	67	2.3	5.5
\$ 50,000 - \$ 99,999	304	10.5	16.0
\$ 100,000 - \$ 199,999	390	13.4	29.4
\$ 200,000 - \$ 499,999	511	17.6	47.1
\$ 500,000 - \$ 999,999	758	26.1	73.2
\$1,000,000 - \$4,999,999	777	26.8	100.0
Over \$5,000,000	-	-	-
<u>Total</u>	2,900	100.0	

<u>Value of Shipments</u>			
	<u>Value \$</u>	<u>% of Total</u>	<u>Cumulative Percentage</u>
Under \$10,000	55,311	0.1	0.1
\$ 10,000 - \$ 24,999	249,095	0.6	0.7
\$ 25,000 - \$ 49,999	452,220	1.0	1.7
\$ 50,000 - \$ 99,999	1,744,856	3.9	5.6
\$ 100,000 - \$ 199,999	4,041,217	9.1	14.7
\$ 200,000 - \$ 499,999	7,240,573	16.3	31.0
\$ 500,000 - \$ 999,999	9,901,087	22.3	53.3
\$1,000,000 - \$4,999,999	20,634,955	46.6	100.0
Over \$5,000,000	-	-	-
<u>Total</u>	44,319,314	100.0	

Source: Tariff Board Survey and Statistics Canada

The fact that the Boatbuilding and Repair Industry, and hence the pleasure craft industry, is mostly made up of small establishments is demonstrated even more dramatically by Table 4.16. This table sets out the percentage distribution of establishments and of all employees by employment size group. It shows, for instance, that 45 per cent of

the establishments in the industry, 112 out of a total of 250, employ less than five people each, and this includes working owners and partners. Nearly 70 per cent of all establishments employ less than ten people, but account for only 24 per cent of total industry employment.

The concentration of total industry activity in a relatively small number of large employers is also confirmed by Table 4.16. Only 10 establishments out of 250 employ fifty or more people, yet they account for 29 per cent of the industry's total work force. Almost 58 per cent of industry employees work in the thirty-eight establishments with twenty or more employees.

Table 4.16: Distribution of Establishments and Employment in the Boatbuilding and Repair Industry, by Employment Size Group, 1971

Size Group by No. of Employees	Establishments		Employees ^(a)	
	No.	% of Total	No.	% of Total
Under 5	112	44.8	251	9.1
5 - 9	61	24.4	411	14.9
10 - 19	39	15.6	498	18.1
20 - 49	28	11.2	796	28.9
50 - 199	10	4.0	796	28.9
<u>Total</u>	250	100.0	2,752	100.0

(a) Includes working owners and partners

Source: Statistics Canada

Statistics for the Boatbuilding and Repair Industry suggest that the average establishment size in pleasure craft construction has increased substantially, although the average size remains relatively small. In 1972, the average establishment in that industry had 13.2 employees and a value of shipments of \$294,364. Employment in that year was 50 per cent higher than the corresponding 1965 average of 8.6 employees. The value of shipments was nearly three times higher than the 1965 level of \$107,686. While the latter incorporates the impact of inflation, the average size in real terms still more than doubled, from \$100,831 in 1965 to \$232,331 in 1972.

Not only has the average establishment increased in size, but there are today more large establishments, as Table 4.17 reveals. In 1972 the seventeen establishments producing each more than \$1 million annually accounted for more than half of total industry output. In contrast the three establishments in that size group in 1965 represented about one sixth of the total. At the other end of the scale, the 192 establishments producing less than \$100,000 made up nearly one quarter of the total industry shipments in 1965 compared with 8 per cent and 132 establishments in 1972. Available evidence indicates that a similar change in industry concentration took place in the pleasure craft industry.

Table 4.17: Value of Shipments, by Size Group, of the Boatbuilding and Repair Industry, 1965 and 1972 and of the Pleasure Craft Industry, 1971

Size Group by Value of Shipments	Boatbuilding and Repair Industry				Pleasure Craft Industry				
	1965		1972		1971				
	No. of Estab.	Value of Shipments \$'000	% of Total	No. of Estab.	Value of Shipments \$'000	% of Total	No. of Estab.	Value of Shipments \$'000	% of Total
Under - \$10,000	36	268	1.1	16	116	0.2	11	55	0.1
\$10,000 - \$ 24,999	72	1,254	5.1	34	576	0.9	15	249	0.6
\$25,000 - \$ 49,999	53	1,956	7.9	40	1,443	2.2	12	452	1.0
\$50,000 - \$ 99,999	31	2,281	9.3	42	3,065	4.6	24	1,745	3.9
\$100,000 - \$ 199,999	18	2,481	10.1	39	5,810	8.8	26	4,041	9.1
\$200,000 - \$ 499,999	20	5,720	23.2	39	12,433	18.8	25	7,241	16.3
\$500,000 - \$ 999,999	9	6,313	25.6	12	8,692	13.1	13	9,901	22.3
\$1,000,000 - \$4,999,999	3	4,357	17.7	17	34,024	51.4	11	20,635	46.6
\$5,000,000 and Over	-	-	-	-	-	-	-	-	-
Total	242	24,630	100.0	239	66,159	100.0	137	44,319	100.0

Source: Statistics Canada and Tariff Board Survey

Table 4.18: Pleasure Craft Production per Establishment, by
Product Group, Non-Specialists and Specialists, 1971

<u>Non-Specialists</u>					
<u>Product Group</u>	<u>No. of Estabs.</u>	<u>Total Shipments</u>		<u>Shipments per Establishment</u>	
		<u>Units</u>	<u>Value</u> \$	<u>Units</u>	<u>Value</u> \$
Canoes	24	14,034	1,850,026	585	77,084
Utilities	31	20,108	3,364,576	649	108,535
Runabouts	26	9,343	9,163,694	359	352,450
Sub-total	42	44,965 ^(a)	16,052,769 ^(a)	1,071 ^(a)	382,209 ^(a)
Sail-boats	12	972	562,127	81	46,844
Power Cruisers	9	131	1,116,934	15	124,104
Other Boats	4	397	267,198	99	66,800
<u>Total</u>	44 ^(b)	44,985	16,324,555	1,022	371,013
<u>Specialists</u>					
Canoes	11	8,858	1,320,667	805	120,061
Utilities	7	5,935	873,674	848	124,811
Runabouts	18	4,648	4,356,548	258	242,030
Sub-total	36	19,441	6,550,889	540	181,969
Sail-boats	31	3,520	14,167,471	114	457,015
Power Cruisers	16	228	5,604,238	14	350,265
Other Boats	10	2,876	1,672,161	288	167,216
<u>Total</u>	93	26,065	27,994,759	280	301,019
<u>Total All Establishments</u>	137	71,050	44,319,314	519	323,499

(a) Includes not only the production of canoes, utilities and runabouts, but also their output of sail-boats, power cruisers and "other boats"

(b) Two establishments have no shipments of canoes, utilities or runabouts.

Source: Tariff Board Survey

Productivity Estimates

Value added per employee is probably the best and most commonly used measurement of labour productivity. Due to the virtual impossibility of arriving at satisfactory measurements of the productivity of other factors of production, such as capital and equipment, labour productivity is generally taken as a rough proxy for over-all productivity. This approach is further justified by the fact that when "measuring" labour productivity, account is inevitably taken of the contribution made by other determinants of over-all productivity, such as the degree and quality of mechanization, the organization of production, the use of new technologies and management skill.

Table 4.18, which is based on the Board's survey for 1971, reveals that in the manufacture of canoes, utilities and runabouts the diversified, non-specialist producer is much larger than the specialist. There were in 1971, according to the Board's survey, forty-two establishments, which produced two or more types of craft, especially canoes, utilities or runabouts, with an average value of shipments of \$382,000. The thirty-six establishments specializing in either canoe, utility or runabout production shipped on average only \$182,000. This substantiates the earlier finding that in the production of smaller pleasure craft there was little incentive for specialization and that economies of scale arising from volume production could be obtained through diversification without encountering unduly costly inefficiencies because of short model production runs. It is, furthermore, noteworthy that the specialists produced more canoes and utilities than the non-specialists, \$120,000 and \$125,000 versus \$77,000 and \$109,000 respectively, but that the diversified producers, on average, shipped more runabouts, \$352,000 versus \$242,000.

The Board's survey for 1971 also shows that in sail-boat, power cruiser and "other boat" construction, the specialists dominate in every respect. As pointed out in Table 4.13, establishments specializing in sail-boat, power cruiser or "other boat" construction outnumber diversified establishments fifty-seven to twenty-five. The specialists account for 83 per cent or more of total industry output of these three types of craft, and as shown in Table 4.18 also have, on average, larger sales. It would appear, as indicated earlier, that in the production of larger and more unique pleasure craft, specialization is advantageous whereas diversification, because of the very limited domestic market for the large craft, faces the additional costs of short production runs.

In the following productivity comparisons, value added per employee, as opposed to value added per man-hour, is most frequently used. Value added on a man-hour basis would be the more appropriate "measurement" of productivity, provided information was available on the total number of man-hours worked. However, Statistics Canada records man-hours for hourly-paid employees only and not for salaried employees or working owners and partners. Consequently, the Board used the more inclusive concept of value added per employee.

It should be stressed that the productivity estimates presented here and, hence, the findings derived from them, are based in many instances on aggregate figures. They conceal, therefore, the relatively good productivity and efficiency levels reached by some firms in the industry, as well as the especially poor levels at which other firms operate.

Industry Productivity

Value-added data, respecting the 1971 year, were available for seventy-two pleasure craft producers. While this sample represents only slightly more than half of the 137 establishments for which the Board obtained information, the seventy-two producers accounted for nearly 80 per cent of the total value of shipments reported. Thus productivity "measurements" for the seventy-two producers can be taken to be strongly indicative of the performance of the industry as a whole.

Value added per employee for the seventy-two establishments amounted to \$9,742 in 1971. This figure was somewhat higher than the \$8,971 reported for the entire Boatbuilding and Repair Industry. However the latter includes numerous smaller establishments, not covered by the Board's survey, which have, as shown in Table 4.19, lower productivity than the larger establishments, and which, if excluded, would raise the productivity level of the Boatbuilding and Repair Industry more in line with that of the seventy-two pleasure craft producers.

Plant Size and Productivity

As shown in Table 4.19, productivity of the large establishments in pleasure craft construction is much higher than that of small establishments. The establishments with annual output in excess of \$1 million had a value added per employee of \$12,078, almost twice as high as that of the establishments with an output between \$25,000 and \$50,000. Similar data for the Boatbuilding and Repair Industry indicate that the productivity of the larger establishments is proportionately even greater than that of the smallest establishments. Thus it can reasonably be expected that as the output of an establishment increases, its value added per employee, or productivity, increases correspondingly.

While there are sharp differences in efficiency and productivity within the pleasure craft industry, most of the employees are concentrated in establishment size groups that experienced productivity levels close to or above the industry level. Eighty-five per cent, or 1,382 of the 1,644 employees of the seventy-two reporting producers, were in the three largest size groups, i.e., with annual sales of \$200,000 or more; and their average productivity was \$10,178 in 1971. The Boatbuilding and Repair Industry shows a similar concentration of employees in the higher-productivity establishment groups.

Table 4.19: Employment and Value Added by Manufacturing per Employee in the Pleasure Craft Industry and in the Boatbuilding and Repair Industry, by Size Group, 1971

Size Group by Value of Shipments	Employment ^(a)	Value Added - \$'000 -	Value Added per Employee \$
<u>Pleasure Craft Industry^(b)</u>			
Under \$10,000	-	-	-
\$ 10,000 - \$ 24,999	-	-	-
\$ 25,000 - \$ 49,999	11	70	6,324
\$ 50,000 - \$ 99,999	71	492	6,924
\$ 100,000 - \$ 199,999	180	1,388	7,712
\$ 200,000 - \$ 499,999	324	2,975	9,181
\$ 500,000 - \$ 999,999	450	3,748	8,329
\$1,000,000 - \$4,999,999	608	7,343	12,078
\$5,000,000 and Over	-	-	-
<u>Total</u>	1,644	16,015	9,742
<u>Boatbuilding and Repair Industry</u>			
Under \$10,000	19	60	3,174
\$ 10,000 - \$ 24,999	83	399	4,813
\$ 25,000 - \$ 49,999	129	685	5,312
\$ 50,000 - \$ 99,999	300	1,826	6,088
\$ 100,000 - \$ 199,999	356	2,693	7,563
\$ 200,000 - \$ 499,999	593	5,694	9,602
\$ 500,000 - \$ 999,999	501	4,532	9,045
\$1,000,000 - \$4,999,999	771	8,800	11,413
\$5,000,000 and Over	-	-	-
<u>Total</u>	2,752	24,689	8,971

(a) Includes working owners and partners

(b) Based on 72 establishments which reported 1971 value added to the Tariff Board

Source: Statistics Canada and Tariff Board Survey

Specialization and Productivity

The Board also attempted to examine the relationship between value added per employee, or productivity, and specialization and diversification. For this purpose the Board again used the seventy-two establishments which reported value added for 1971 in the Board's survey. It should be noted that, while these establishments combined are considered to be representative of the pleasure craft industry as a whole, findings based on a breakdown of this sample, for instance by type of pleasure craft by size group, should be considered much more tentative because the number of establishments at such levels of disaggregation is frequently quite small.

Table 4.20 would appear to indicate that, on average, in the manufacture of canoes, utilities and runabouts, the specialized producer does not have a clear advantage over the non-specialist or diversified producer. Thus while the nine small specialists, those with annual sales of less than \$200,000, have higher productivity than the eleven small non-specialists, an average of \$8,058 and \$7,191 respectively, for medium-sized producers the diversified producers appear to have a higher average productivity. This suggests that the small establishments producing more than one type of craft experience a number of inefficiencies not encountered by the small specialized producers but that these inefficiencies are offset, in the case of medium-sized non-specialists, and presumably in the case of larger non-specialists also, by economies of scale as these diversified producers expand their output by adding more models and hull sizes. It is readily apparent from Table 4.20 that productivity increases for the non-specialist manufacturer as his output expands: productivity of the three largest diversified producers was, in 1971, at least 30 per cent higher than that for the thirteen medium-sized ones, and at least 50 per cent above that of the eleven smallest establishments.

Table 4.20: Value Added by Manufacturing, per Employee, in the Production of Canoe, Utilities and Runabouts, by Size Group, 1971

<u>Size Group by Value of Shipments</u>	<u>No. of Estabs.</u>	<u>Value Added \$</u>	<u>No. of Employees</u> (a)	<u>Value Added per Employee \$</u>
<u>Specialists</u>				
Under \$25,000	-	-	-	-
\$ 25,000 - \$199,999	9	531,824	66	8,058
\$ 200,000 - \$999,999	6	1,264,575	163	7,758
\$1,000,000 and Over	-	-	-	-
<u>Total</u>	15	1,796,399	229	7,845
<u>Non-Specialists</u>				
Under \$25,000	-	-	-	-
\$ 25,000 - \$199,999	11	647,205	90	7,191
\$ 200,000 - \$999,999	13	2,842,607	337	8,435
\$1,000,000 and Over	3	2,260,129	205	11,025
<u>Total</u>	27	5,749,941	632	9,098

(a) Includes working owners and partners

Source: Tariff Board Survey

It should be noted that because of the small number of establishments per size group, average productivity levels can be greatly affected by a very high or very low individual productivity performance. For example, the value added per employee shown for "specialists" in the \$25,000 - \$199,999 group (\$8,058) is influenced by the inclusion of one major producer with an exceptionally high apparent productivity; value added per employee (\$7,758) for the \$200,000 - \$999,999 size group is, in contrast, affected by the inclusion of one large producer with an exceptionally low productivity.

As noted before, the production of sail-boats, power cruisers and "other boats" is dominated by specialists. Length of production run, the frequency of model change-overs, is an important element in the production of larger pleasure craft and this has led to greater specialization. Again, the positive relationship between productivity and establishment size is evident, as shown in Table 4.21. The nine small establishments had average productivity of \$8,117; the twelve medium-sized averaged \$9,534, or 17 per cent higher than the small establishments; and productivity of the six large establishments was \$12,613 or 32 per cent higher than the medium-sized ones.

Table 4.21: Value Added by Manufacturing, per Employee, in Sail-Boats Power Cruiser and "Other Boat" Production, Specialized Producers, by Size Group, 1971

<u>Size Group by Value of Shipments</u>	<u>No. of Estabs.</u>	<u>Value Added</u> \$	<u>No. of Employees</u> (a)	<u>Value Added per Employee</u> \$
Under \$25,000	-	-	-	-
\$ 25,000 - \$199,999	9	633,124	78	8,117
\$ 200,000 - \$999,999	12	2,478,903	260	9,534
\$1,000,000 and Over	6	5,083,226	403	12,613
<u>Total</u>	27	8,195,253	741	11,060

(a) Includes working owners and partners

Source: Tariff Board Survey

From information made available to the Board it emerges that the productivity of nineteen sail-boat specialists was \$12,026, compared to \$8,190 for six power cruiser specialists; this compares with \$7,845 for the fifteen producers specializing in canoes or utilities or runabouts as shown in Table 4.20. The strong performance of the sail-boat producers is primarily a reflection of scale of production or size of establishment. Most of Canadian sail-boat production is accounted for by six manufacturers which have acquired scale, and thereby higher productivity, by exporting a large proportion of their production. Among the nineteen sail-boat specialists the larger establishments were much more efficient than the smaller ones: the five establishments with annual sales in excess of \$1 million realized productivity per employee, in 1971, of some \$14,000, compared with productivity of \$8,500 for the six establishments with annual sales of less than \$200,000.

Regional Disparities in Productivity

Productivity is highest in the pleasure craft industries of Ontario and British Columbia. This is substantiated by data for the Boatbuilding and Repair Industry in 1971, in Table 4.22. The pleasure craft industry in those provinces appears to have a productivity level between 5 and 10 per cent higher than the national average for the pleasure craft industry. In Quebec and in the Prairie Provinces the pleasure craft industry is probably not much below the Canadian average. Productivity in pleasure craft construction in the Atlantic region was apparently at least a third below the average for the entire pleasure craft industry.

Table 4.22: Value Added by Manufacturing, per Employee, in the Boatbuilding and Repair Industry and in the Pleasure Craft Industry, by Region, 1971

<u>Region</u>	<u>No. of Establishments Surveyed</u> No.	<u>No. of Employees</u> No.	<u>Value Added per Employee</u> \$
<u>Boatbuilding and Repair Industry</u>			
Atlantic	46	305	5,948
Quebec	31	347	8,723
Ontario	72	1,222	9,601
Prairies	15	194	8,515
British Columbia	76	632	9,726
Newfoundland, Prince Edward Island and Saskatchewan ^(b)	10	52	6,077
Canada	250	2,752	8,971
<u>Pleasure Craft Industry</u>			
Atlantic	5	136	5,543
Quebec	12	254	9,848
Ontario	32	840	10,398
Prairies	5	134	7,710
British Columbia	18	280	10,688
Canada	72	1,644	9,742

(a) Includes working owners and partners

(b) For reasons of confidentiality, Statistics Canada does not show separate statistics for these three provinces. The Atlantic region data given above thus exclude Newfoundland and Prince Edward Island; the Prairies region data exclude Saskatchewan.

Source: Derived from Statistics Canada data

The regional differences in productivity in pleasure craft construction are in part due to differences in establishment size or scale of production. The average establishment in the Ontario pleasure craft industry is larger than the average establishment in the Quebec industry, and it is this scale factor which explains much of the difference in industry productivity between the two provinces. Similarly, the relatively low productivity of the pleasure craft industries in the Atlantic Provinces and in the Prairie Provinces is also largely the result of the relatively small scale of production. Clearly the limited market for pleasure craft in the Atlantic and Prairie Provinces and the high distribution costs involved in penetrating other market areas, both domestic and foreign, have had an adverse effect on the scale of production, productivity and efficiency of the pleasure craft industry in those provinces.

While scale of production explains a great deal of the regional differences in industry productivity and efficiency, some regional variations remain. Available evidence, though based on small samples, suggests that British Columbia producers have the highest average productivity for every size group; more precisely, for the same size group, British Columbia producers invariably have a higher average value added per employee than producers in the other regions. On this basis it would appear that there is little difference in the value added per employee in pleasure craft construction in the Prairie Provinces, Quebec, and Ontario; it is lowest in the Atlantic region.

One should not conclude that British Columbia's competitive position in the domestic market is the strongest because it has, on average, the highest productivity or value added per employee. Value added per employee in the British Columbia pleasure craft industry is higher than in other regions because its cost structure is highest. For example average annual earnings per employee in that industry, in 1971, were 5.3 and 38.0 per cent higher than in Ontario and the Atlantic Provinces, respectively. Wage rates in the pleasure craft industry in British Columbia were 9 per cent higher than in Ontario and 44 per cent higher than in the Atlantic region (See Table 4.10). Of course, the British Columbia pleasure craft industry, in order to be able to meet the higher wages paid must strive to be more efficient and obtain a higher volume of output per employee than the same industry in other regions of the country. However, it is not at all certain that its efficiency is enough to compensate for a higher cost structure to the extent that it is competitive not only in its regional market but across Canada as well: most of the evidence before the Board suggests that the British Columbia pleasure craft industry is, relatively, a high cost producer and that it is confined largely to its regional market.

Productivity Growth

Value added per employee in the Boatbuilding and Repair Industry, comprising mostly pleasure craft construction, rose, as shown in Table 4.23, from \$6,474 in 1965 to \$10,404 in 1972, an increase of 60.7 per cent over seven years. In real terms this improvement in productivity was, of course, considerably less; in constant dollars the increase amounted to 35.5 per cent, from \$6,062 in 1965 to \$8,212 in 1972.

Table 4.23: Value Added per Employee in the Boatbuilding and Repair Industry, 1965 to 1972; Current Dollars and Constant Dollars

	Value Added per Employee ^(a)	
	Current Dollars	Constant ^(b) Dollars
1965	6,474	6,062
1966	7,056	6,528
1967	7,098	6,560
1968	7,807	7,091
1969	8,098	7,230
1970	7,944	6,807
1971	9,122	7,453
1972	10,404	8,212
Change in per cent		
1965/72	+60.7%	+35.5%

(a) Includes working owners and partners

(b) The Statistics Canada Selling Price Index, based on the f.o.b. factory price, for the Boatbuilding and Repair Industry was used as the deflator.

Source: Statistics Canada

With the exception of the group of small establishments with an annual output of less than \$10,000, value added per employee increased for every size group. It is quite apparent from Table 4.24 that the growth in productivity was, however, considerably less for the smaller size groups, those with yearly sales of less than \$200,000, than for the larger size groups. Moreover, the greatest advance in productivity, 78 per cent, was realized by plants with sales exceeding \$1 million. In this latter group are the five largest sail-boat manufacturers, the largest builder of power cruisers and the three largest diversified producers of canoes, utilities and runabouts.

In value terms, that is after making allowance for the impact of inflation, it appears that the smaller establishments made only small productivity gains. The selling price index for the Boatbuilding and Repair Industry rose by 19 per cent from 1965 to 1972, which would account for most of the productivity growth in current dollars for the smaller size groups. Gains in real productivity were largely confined to the larger size groups. The gap in productivity between the small and large establishments has widened substantially.

Table 4.24: Value Added per Employee^(a) by the Boatbuilding and Repair Industry, by Size Group, 1965 and 1972

Size Group Value of Shipments	Value Added per Employee		Percentage Change, 1965-72 %
	1965 \$	1972 \$	
Under \$10,000	3,250	2,400	-26.2
\$ 10,000 - \$ 24,999	4,030	5,241	+30.0
\$ 25,000 - \$ 49,999	5,135	5,788	+12.7
\$ 50,000 - \$ 99,999	6,188	7,138	+15.4
\$ 100,000 - \$ 199,999	6,929	8,251	+19.1
\$ 200,000 - \$ 499,999	6,592	10,142	+53.9
\$ 500,000 - \$ 999,999	8,203	10,296	+25.5
\$1,000,000 - \$4,999,999	7,129	12,688	+78.0
\$5,000,000 and Over	-	-	-
Average	6,474	10,404	+60.7

(a) Includes working owners and partners

Source: Statistics Canada

The size groups with low productivity and low productivity growth have, however, diminished greatly in importance with respect to total industry activity. The establishments with sales below \$100,000 accounted for 35 per cent of total industry employment in 1965 but only 14 per cent, or 446 out of 3,152, in 1972. Compared to the situation in 1965, a much larger proportion of all employees in 1972 were employees with a relatively high degree of productivity. The structure of the industry, in terms of productivity per employee, has improved significantly. In fact, if the 1972 employment had been distributed among the various size groups in the same proportions as in 1965, then industry productivity in 1972 would have been \$8,803, or 15 per cent less than its actual level of \$10,404. In other words, of the \$3,930 increase in value added per employee from 1965 to 1972, \$1,601 or 40 per cent was due to the greater prominence of larger, more efficient establishments in the industry.

Comparison with All Manufacturing Industries

Productivity, as measured by value added per employee, in All Manufacturing amounted to \$13,265 in 1971, as shown in Table 4.25. This was 36 per cent higher than productivity in the pleasure craft industry, and 48 per cent more than in the Boatbuilding and Repair Industry.

Table 4.25: Value Added by Manufacturing, per Employee^(a), in the Pleasure Craft Industry, the Boatbuilding and Repair Industry and All Manufacturing, by Size Group, 1971

Size Group by Value of Shipments	Pleasure Craft Industry	Boatbuilding and Repair	All Manufacturing
	\$	\$	\$
Under \$10,000	-	3,174	2,072
\$ 10,000 - \$ 24,999	-	4,813	5,671
\$ 25,000 - \$ 49,999	6,324	5,312	6,569
\$ 50,000 - \$ 99,999	6,924	6,088	6,978
\$ 100,000 - \$ 499,999	8,656	8,837	8,320
\$ 500,000 - \$ 999,999	8,329	9,045	9,777
\$1,000,000 - \$4,999,999	12,078	11,413	11,430
\$5,000,000 and Over	-	-	17,136
Average	9,742	8,971	13,265

Index

Under \$10,000	-	153.2	100.0
\$ 10,000 - \$ 24,999	-	84.9	100.0
\$ 25,000 - \$ 49,999	96.3	80.9	100.0
\$ 50,000 - \$ 99,999	99.2	87.2	100.0
\$ 100,000 - \$ 499,999	104.0	106.2	100.0
\$ 500,000 - \$ 999,999	85.2	92.5	100.0
\$1,000,000 - \$4,999,999	105.7	99.9	100.0
\$5,000,000 and Over	-	-	100.0
Average	73.4	67.6	100.0

(a) Includes working owners and partners

Source: Tariff Board Survey and Statistics Canada

The prime reason for this difference in productivity and efficiency between the pleasure craft industry and All Manufacturing appears to be a difference in scale of production. The average employee in All Manufacturing works in a larger establishment than the worker in the pleasure craft industry. For instance, while there are no plants in pleasure craft construction with sales in excess of \$5 million a year, there are many such establishments in Canadian manufacturing. With productivity of \$17,136 these larger establishments pull up the average productivity for All Manufacturing. Indeed if the value added in manufacturing plants with shipments of more than \$5 million were excluded, the average value added in All Manufacturing becomes \$10,296 instead of \$13,265, and the difference in productivity between All Manufacturing and the pleasure craft and boatbuilding and repair industries would be 6 and 15 per cent respectively, instead of 36 and 48 per cent as indicated above.

A comparison by size group reveals even smaller differences in productivity between All Manufacturing and the pleasure craft and boatbuilding industries, as shown by the indexes in Table 4.25. In fact the data suggest that productivity in the pleasure craft industry for comparable size groups was about the same as in All Manufacturing. The productivity levels by size group for the pleasure craft industry may, however, be influenced by the size of the sample - value-added information was available for a total of seventy-two pleasure craft producers only and these, on average, were the larger producers. For that reason, the productivity performance of boatbuilding and repair, with 250 respondents, may be more representative of the pleasure craft industry as a whole, even though the Boatbuilding and Repair Industry has a large number of small producers and service establishments. In any event, a comparison by size group between boatbuilding and repair and All Manufacturing reveals relatively small differences in productivity, especially for the size groups with sales of \$100,000 or more.

Productivity growth in the Boatbuilding and Repair Industry was also somewhat less than in All Manufacturing; over the period 1965 to 1971, 40.9 per cent as against 42.1 per cent. It was, again, the performance of the small establishments in boatbuilding that compared most unfavourably, as can be seen in Table 4.26. On the other hand, establishments with sales in excess of \$1 million did considerably better than those in All Manufacturing.

In summary, it would appear that in the production of smaller pleasure craft, such as canoes, utilities and runabouts, the main influence is scale of production - scale obtainable through product diversification - because the production of smaller pleasure craft is not unduly affected by short production runs. In the production of auxiliary-powered sailcraft and power cruisers, specialization is important for better productivity performance and the larger specialist would appear to be more efficient than the smaller one. Furthermore, the productivity of the small producers of pleasure craft, already comparatively low, has apparently increased very slowly suggesting that production methods and techniques at this scale of production are more or less stable and that most known improvements have been implemented. In contrast, large producers of pleasure craft have improved their productivity performance substantially and at a rate that compares very favourably with large establishments in Canadian manufacturing as a whole.

It is evident, therefore, that the difference in productivity and efficiency between small producers and large producers in the pleasure craft industry in Canada has increased substantially. It would appear, consequently, that the competitive position of the smaller establishment has become more difficult. This has probably caused some small producers to withdraw from the industry and others, in order to improve efficiency and productivity, to expand the scale of their operation, with the result that pleasure craft production is increasingly concentrated in larger, more efficient establishments. While this process is evident in all sectors of the industry, it probably has progressed furthest in the production of sail-boats and aluminum pleasure craft.

Table 4.26: Value Added per Employee in the Boatbuilding and Repair Industry and All Manufacturing,
by Size Group, 1965 and 1971, and Productivity Growth

Size Group by Value of Shipments	Value Added per Employee (a)				Growth in Productivity 1965 to 1971	
	1965		1971			
	Boatbuilding and Repair	All Manufacturing	Boatbuilding and Repair	All Manufacturing	Boatbuilding and Repair	All Manufacturing
	\$	\$	\$	\$	%	%
Under \$10,000						
\$ 10,000 - \$ 24,999	3,250	2,961	3,158	3,438	- 2.8	+16.1
\$ 25,000 - \$ 49,999	4,030	4,822	4,807	5,719	+19.3	+18.6
\$ 50,000 - \$ 99,999	5,135	5,326	5,287	6,690	+ 3.0	+25.6
\$ 100,000 - \$ 499,999	6,188	5,676	6,333	7,128	+ 2.3	+25.6
\$ 500,000 - \$ 999,999	6,692	6,645	8,982	8,772	+34.2	+32.0
\$ 1,000,000 - \$ 4,999,999	8,203	7,406	9,044	10,368	+10.3	+40.0
\$ 5,000,000 and Over	7,129	8,770	11,684	12,073	+63.9	+37.7
	-	13,174	-	17,998	-	+36.6
Average	6,474	9,960	9,122	14,150	+40.9	+42.1

(a) Includes working owners and partners
Value added is on total activity basis.

Source: Statistics Canada

SOME CANADA-UNITED STATES COMPARISONS

As will be seen in Chapter VI, some 30 per cent of the domestic demand for pleasure craft was met through imports in 1972, and about 80 per cent of these came from the United States; some 32 per cent of Canadian production of pleasure craft was exported, 97 per cent to the United States. It is highly relevant, therefore, to develop some indication of the comparative competitiveness of the pleasure craft industry in the two countries.

Given the dearth of reliable information, such estimates, as are possible, of the comparative advantages and disadvantages of the Canadian and United States pleasure craft industries are aggregative and rather rough, and it is usually impossible to disaggregate the information into the main sectors of the industry. Still, certain conclusions can be drawn, particularly when, as is often the case, various estimates are mutually supporting.

For example, it can be said, based on 1971 data on comparative production costs, that while direct labour costs per unit may be approximately the same in the two countries, it is in the area of per unit factory overhead costs and of material costs that the United States pleasure craft manufacturers have an important comparative cost advantage; these two categories of costs account for about 80 per cent of total production costs in the pleasure craft industry.

More specifically as regards labour costs, available information indicates that average wage rates for production workers in Canada were in 1971 some 82 per cent of what they were in the United States. However, the Boatbuilding and Repair Industry in Canada is more labour intensive than the United States industry, with the result that wages and salaries account for a higher proportion of total costs in the Canadian than in the United States industry. As for productivity, it is substantially lower in the Canadian than in the United States boatbuilding industry.

This section first presents what rough comparative data are available on production costs, labour intensiveness, wage rates, and productivity performance in Canada and the United States. In the last part of the section an attempt is made to examine most of the main factors and considerations which appear to explain the fact that, on average, the United States pleasure craft industry enjoys a comparative advantage over the Canadian industry.⁽¹⁾

Comparative Production Costs: Materials and Overhead

Comparative production costs constitute a major determinant of an industry's competitiveness, at home and abroad. The following brings together the data discussed in previous sections on production costs in the Canadian pleasure craft industry and such non-confidential information as is available on pleasure craft production costs in the United States.

(1) Again, the aggregate data pertaining to the Boatbuilding and Repair Industries in Canada and the United States are believed to reliably reflect the situation in the pleasure craft industries in the two countries because the latter constitute by far the largest segment of the Boatbuilding and Repair Industry in both countries.

Unfortunately, the available information is relatively sparse. Furthermore, the problems attaching to comparability and confidentiality of production costs within the Canadian pleasure craft industry itself are, understandably, multiplied when attempting an international comparison of costs. Nonetheless, some comparisons, based on reliable information on United States costs obtained from a number of sources, mostly from members of the pleasure craft and associated industries in Canada, are possible.

Generally speaking, it can be concluded from the data presented below that pleasure craft manufacturers in the United States enjoy significantly lower costs for materials as well as overhead costs per unit of production. (The relative importance of these cost components in total factory production cost in Canada is given in Table 4.6 for certain types of pleasure craft.)

Fiberglas Canada Limited supplied the most complete information on comparative costs in Canada and the United States as regards fibreglass materials. These data are tabulated in Table 4.27. The figures clearly establish the price spread between fibreglass costs in Canada and the United States; they also show the advantages of volume purchasing. A Canadian boat producer, selling in the domestic market pays from 10 to 31.6 per cent more for the main types of fibreglass materials used, that is, chopped strand mat and continuous roving employed in spray-up techniques. However, Fiberglas Canada Limited has a policy of granting export rebates on proof of export use. The rebates, which are 9 cents a pound on the chopped strand mat and 12½ cents on the continuous roving, eliminate the usual price disadvantage for Canadian users who export their final products and, in the case of roving, confer a small price advantage.⁽¹⁾

Specific information on other price differentials between Canada and the United States was included in four other briefs submitted to the Board. Comparative prices, as quoted in Canada and the United States, of resins, catalysts, plywood, and upholstered vinyl seats were supplied in briefs from Chestnut Canoe Company Limited, Fredericton, Canbar Marine Company, Waterloo, Ontario, and in a joint presentation by four companies in Winnipeg; Alwest Marine Division of Cooper Boats Ltd., Bluewater Industries Ltd., International Fibreglass Ltd., and Kildonan Canoe Ltd. The information is presented in Table 4.28. Based on the information supplied by the companies mentioned, it seems clear that Canadian producers operate with a substantial cost disadvantage, ranging from some 9 per cent for aluminum extrusions to about 69 per cent for the cost of resin used by the reporting companies in Manitoba. It should be pointed out, however, that the cost differential for resin was reported as being much less, 11 and 20 per cent, for the Ontario (Canbar Marine) and New Brunswick (Chestnut Canoe) companies respectively. On the other hand, the Manitoba companies reported a smaller price disadvantage, 22 per cent, for catalysts (a much less important product in terms of total basic materials cost) compared to Canbar Marine's reported 39 per cent. There are probably a good many reasons to explain these disparities in reported costs, including differences in quantity and quality, and transportation and marketing expenses.

(1) A study of the fibreglass industry, which will include the question of pricing policy and price differentials, is being undertaken by the Board in Reference No. 151 - Glass Fibres and Filaments.

The Board is aware that material costs have risen substantially since March 1972, the period pertaining to the data presented in Table 4.27. For example, a resin which was priced at 22-23 cents per pound in 1972 was priced at 47 cents during early 1975; aluminum in coils, of certain specifications, used by builders of aluminum boats increased by around a third between 1972 and late 1974; and fibreglass materials, over the same period of time, by an amount ranging from 10 to 13 per cent. More recent information on material costs in the United States was not obtained, but, in view of the general, world-wide, inflation during this period, it can be expected that United States boat-builders experienced a similar escalation in material costs. It can, therefore, be reasonably concluded that Canadian pleasure craft builders are at about the same disadvantage with respect to cost of materials in 1975 as they were in 1972.

With reference to overhead costs, the data examined earlier in this chapter established that these costs often constitute an important component, one which frequently exceeds direct labour cost, in total cost of production. The information available on the cost of overhead in the United States is fragmentary and the problems attaching to a comparison of such costs have already been mentioned. Still, the data available reveal some unexpectedly large differences between Canada and the United States. For example, the information supplied by two major Canadian runabout producers concerning comparative production costs for identical models in Canada and the United States, revealed that the factory overhead costs for the Canadian-made models were twice those of the same model produced in the United States. In more concrete terms, based on the distribution of per unit production costs set out in Table 4.6, this would mean that the average factory overhead cost in Canada of \$264.00 for a typical 15-foot outboard runabout (with a total factory cost of \$873.00), would be about \$132.00 in the United States.

Assuming that other production costs, i.e., materials and direct labour, are the same in Canada and the United States, it appears to be quite possible that for outboard runabouts, total factory production cost is 15 per cent lower for the United States manufacturer as a result of lower per unit overhead costs alone. The Board was told by a Canadian distributor that one major company, believed to be the largest FRP runabout producer in the United States, allocates factory overhead cost on as low a basis as 50 per cent of direct labour costs as against the 125 to 200 per cent which appears to be the general rule in Canada.

The information provided by the two Canadian runabout producers, referred to above, enabled some comparison to be made of the materials and direct labour costs, for identical models, in the United States and Canada. The cost of materials, as expected, was higher in Canada. However, there was little difference in direct labour costs per boat. This, and aggregate wage rate data available, suggests that while Canadian producers may, generally, have an advantage in lower wage rates, total direct labour cost per unit is about equal and perhaps higher in Canada where a few extra man-hours go into the production of the Canadian model. There is, therefore, some factual support for believing that while direct labour costs may be approximately the same in the pleasure craft industry in the two countries, it is in the area of per unit factory overhead costs and in material costs that the United States manufacturer has an important comparative cost advantage. As stated above, overhead and material costs account for about 80 per cent of total production costs in the industry.

Table 4.27: Fibreglass Prices: Canada and United States, March 1972

	Canada		United States		Price Differential %
	Quantities lb.	Price per Pound	Quantities lb.	Price per Pound \$	
Fibreglass Reinforcing Mat - Chopped Strand(a):					
	2,000 - 4,999	.67	1,080 - 5,400	.56	+19.6
	5,000 - 12,999	.61	6,480 - 11,880	.54	+13.0 (d)
	13,000 & Over	.58	12,960 - truck-load	.51	+19.6
			truck-load	.49	+18.4 (e)
	150,000 annually (c)	.551			+12.4 (e)
	250,000 annually	.539			+10.0
	Minimum Price (including export rebate of 9 cents)	.49			+ 0.0 (e)
Fibreglass Roving - (b):					
Continuous Filament	Less than truck-load	.50	3,360 - 11,760	.41	+22.0
	truck-load	.47	13,440 - 25,200	.40	+25.0
			26,880 - 38,460	.38	+31.6
	150,000 annually (c)	.447	40,320 - truck-load	.36	+30.6 (e)
	250,000 annually	.437			+24.2 (e)
	Minimum Price (including export rebate of 12.5 cents)	.345			+21.4 (e)
					- 4.2 (e)

(a) Type M700 and M750

(b) Type 825 for spray-up

(c) Volume discounts apply on purchases of these quantities annually, if shipments are made in truck-load volumes.

(d) Based on Canadian price of 61 cents per pound

(e) Based on U.S. truck-load price

Source: Transcript, Volume I, p. iii-v (Submission from Fiberglass Canada Limited, dated March 9, 1972)

Table 4.28: Comparative Costs, Canada and the United States for Selected Materials, 1972

	Resin	Gel Coat	Interior Gel Coat	Catalyst	Aluminum Extrusions	Upholstered Seats	Plywood
Chestnut Canoe Co. Ltd.:							
Canadian Price (\$ per lb.)	.24	.60	.41	-	-	-	-
U.S. Price (\$ per lb.) (a)	.20	.50	.31	-	-	-	-
Price Differential (%)	20.0	20.0	32.3	-	-	-	-
Canbar Marine Ltd.:							
Canadian Price (\$ per lb.)	.20	-	-	1.11	.48	75.00 (b)	-
U.S. Price (\$ per lb.)	.18	-	-	.80	.44	56.00 (b)	-
Price Differential (%)	11.1	-	-	38.8	9.1	33.9	-
Manitoba Companies:							
Canadian Price (\$ per lb.)	.275	-	-	1.10	-	-	3.750 (c)
U.S. Price (\$ per lb.)	.163	-	-	.90	-	-	2.464 (c)
Price Differential (%)	68.7	-	-	22.2	-	-	52.2

(a) Some U.S. prices described as estimated
 (b) Dollars per set
 (c) Dollars per sheet

Source: Chestnut Canoe Company Limited - Transcript, Volume III, p. 398; Canbar Marine company - Transcript, Volume II, p. 374; Manitoba Builders - Transcript, Volume I, p. 144

Wage Rates and Wage Costs

Hourly earnings for production workers in the United States Boatbuilding and Repair Industry have been consistently higher than those in the Canadian industry (See Table 4.29). The same holds true for average annual earnings for all employees. It is noteworthy, however, that the differential in unit labour costs has been decreasing, so that the extent of this advantage for the Canadian industry may be disappearing.

Table 4.29: Hourly Wage Rates for Production Workers and Average Annual Earnings for All Employees in the Boatbuilding and Repair Industry; Canada and the United States, Selected Years, 1961-72^(a)

	<u>Average Hourly Wage Rates for Production Workers</u>			<u>Average Annual Earnings per Employee</u>		
	<u>U.S. (b)</u>	<u>Canada</u>	<u>Canada as a % of U.S. Wages</u>	<u>U.S. (b)</u>	<u>Canada (c)</u>	<u>Canada as a % of U.S. Earnings</u>
	\$	\$	%	\$	\$	%
1961	1.97	1.54	78.2	4,491	3,181	70.8
1963	2.35	1.65	70.2	5,029	3,262	64.9
1965	2.37	1.87	78.9	5,096	3,952	77.6
1967	2.66	2.03	76.3	5,765	4,478	77.7
1968	2.80	2.13	76.1	6,191	4,744	76.6
1969	3.05	2.32	76.1	6,517	5,151	79.0
1970	3.00	2.45	81.7	6,389	5,397	84.5
1971	3.18	2.61	82.1	6,609	5,736	86.8
1972	3.27	2.82	86.2	6,889	6,374	92.5
1973	3.57	3.14	88.0			
1974	3.83	..				

(a) Both United States (S.I.C. 3732) and Canadian (S.I.C. 328) data include hours paid at overtime rates. Employee fringe benefits are not included.

(b) Adjusted for Canadian-U.S. exchange rates

(c) Includes working owners and partners

Source: Statistics Canada and U.S. Department of Commerce

Many members of the Canadian pleasure craft industry contend that their United States competitors are located within low-cost regions of the United States and thereby benefit from wage rates lower than those paid in Canada. It is readily apparent (See Table 4.30) that the southern region of the United States Boatbuilding and Repair Industry has relatively low hourly earnings, and that the northeast and north central regions, adjacent to the Quebec and Ontario regions, have higher hourly earnings. However, according to the general pattern of wage rates in the Canadian pleasure craft industry and information provided by industry members, manufacturers in the Atlantic Provinces and Quebec appear to have lower hourly wage costs than their competitors located in New England and the United States Atlantic seaboard. The Ontario pleasure craft industry also appears to have an advantage, although a lesser one, in hourly wage costs compared to its United States competitors.

Table 4.30: Regional Hourly Wage Costs, Canada and United States

<u>Region/Province</u>	<u>Canada</u>		<u>Region</u>	<u>United States</u> ^(c)
	<u>1971</u>	<u>1972</u>		<u>1972</u>
	<u>Pleasure Craft Manu- facture</u>	<u>Boat- building and Repair</u>		<u>Boatbuilding and Repair</u>
	\$	\$		\$
Atlantic	2.14	2.23 ^(a)	Northeast	3.59
Quebec	2.21	2.68	North Central	3.22
Ontario	2.83	2.91	South	3.07
Prairies	2.29	2.56 ^(b)	West	3.50
British Columbia	3.09	3.29		
Canada	2.68	2.82	U.S.	3.27

(a) Nova Scotia and New Brunswick only

(b) Manitoba and Alberta only

(c) Adjusted for Canadian-U.S. exchange rates

Source: Tariff Board Survey, Statistics Canada and U.S. Department of Commerce

However, some pleasure craft producers, operating in relatively high labour cost areas in Canada and competing with firms located in low labour cost regions in the United States, might very well be at a comparative disadvantage as regards wage rates. It was claimed by some that this is the situation in British Columbia. However, wage data, again admittedly of an aggregate nature, do not support this claim. In 1970 and 1971, for example, the average hourly wage rate for pleasure craft construction in British Columbia was \$3.29 and \$3.09, respectively, as compared to California rates (adjusted for exchange rate) of \$3.70 and \$3.32. Hourly earnings for Washington State, available for 1972, were \$3.39 as against a rate of \$3.29 for the British Columbia boatbuilding and repair industry.

A comparison of the provincially established minimum wage rates with average hourly earnings in the pleasure craft industry reveals that the wages paid in the pleasure craft industry in all the provinces were well above the minimum wage rates. The same comparison was made for a number of American states in which a competing pleasure craft industry is located; there, also, the wages paid in boatbuilding and repair were substantially higher than legal minimum wage rates.

Despite generally higher wages and salaries in the United States, minimum wage rates in that country are very often lower than those established in Canada. This fact could lead some to the erroneous conclusion that wages paid in the pleasure craft industry in the United States are lower than in Canada. In British Columbia, for example, when the minimum wage rate was \$2.25 per hour (in December, 1973), the legal minimum in California was only \$1.65. As noted above, however, minimum wage rates bear little relationship to wages actually paid, and the hourly wages paid in California were clearly higher, at least on average, than those paid in British Columbia.

It would appear, however, that the Canadian boatbuilding industry is more labour intensive than the same industry in the United States. Total wages and salaries paid as a percentage of the value of industry shipments and of value added are higher in the Canadian industry than those in the United States: in 1972, as shown in Table 4.31, 28.6 per cent and 61.3 per cent in Canada compared with 26.9 per cent and 55.4 per cent in the United States. It is to be noted, however, that, although the relative importance of labour costs in total costs has been declining since 1967 for both boatbuilding industries, this decline has been more substantial for the Canadian industry; from 32.4 to 28.6 per cent for the Canadian industry, a decrease of 12 per cent, and from 28.5 to 26.9 per cent for the United States industry, a decrease of 6 per cent.

Table 4.31: Labour Intensiveness in the Boatbuilding and Repair Industry in Canada and the United States, 1967 to 1972^(a)

"A"	U.S.A.			Canada		
	Salaries & Wages - \$ million -	Total Value Added -	Salaries & Wages as a Per Cent of Total Value Added %	Salaries & Wages - \$'000 -	Total Value Added -	Salaries & Wages as a Per Cent of Total Value Added %
1967	163.0	274.8	59.3	10,416	16,510	63.1
1968	185.6	321.2	57.8	12,073	19,870	60.8
1969	233.0	388.0	60.1	14,448	22,715	63.6
1970	189.1	330.0	57.3	15,316	22,546	67.9
1971	198.3	353.9	56.0	15,785	25,105	62.9
1972	279.6	504.7	55.4	20,090	32,794	61.3

"B"	U.S.A.			Canada		
	Salaries & Wages - \$ million -	Value of Ship- ments -	Salaries & Wages as a Per Cent of Shipments %	Salaries & Wages - \$'000 -	Value of Ship- ments -	Salaries & Wages as a Per Cent of Shipments %
1967	163.0	571.4	28.5	10,416	32,188	32.4
1968	185.6	639.1	29.0	12,073	39,184	30.8
1969	233.0	781.0	29.8	14,448	47,034	30.7
1970	189.1	673.0	28.1	15,316	48,156	31.8
1971	198.3	741.8	26.7	15,785	53,563	29.5
1972	279.6	1,038.6	26.9	20,090	70,353	28.6

(a) Value data in current dollars, national currencies

(b) Total activity basis

(c) Includes withdrawals by working owners and partners

Source: Statistics Canada and U.S. Department of Commerce

The foregoing indicates that most of the establishments in the Canadian pleasure craft industry enjoy an advantage in the cost of labour per hour, or per year, over United States establishments. However, recent information on hourly earnings in manufacturing as a whole in the two countries, and preliminary estimates on hourly earnings in boatbuilding and repair in the two countries indicate that the advantage in hourly labour costs has diminished substantially. Hourly earnings in Canadian manufacturing have increased much more rapidly than hourly earnings in United States manufacturing during 1974 and 1975, with the result that average hourly earnings in Canadian manufacturing, adjusted for differences in the Canada-United States exchange rate, were some 3 to 4 per cent higher than those in the United States during the first four months of 1975.

It would appear reasonable that hourly earnings in Canadian boatbuilding have increased during 1974 and 1975 at a rate not unlike hourly earnings in Canadian manufacturing; this was the case over the period 1961-1973. On this assumption, hourly earnings in the Canadian industry would have been, on average, some 7 per cent below those in the United States industry in 1974 and approximately 5 per cent lower in the first quarter of 1975. The difference in total labour costs per hour, that is hourly earnings received by the employee plus the cost of fringe benefits and social security contributions incurred by the employer, between the two countries is probably somewhat greater, because fringe benefits and social security contributions in the Canadian industry are likely less than in the United States industry; this was true for manufacturing as a whole⁽¹⁾ and would, therefore, appear to be the case for the boatbuilding industry as well. However, the difference between Canada and the United States, in this respect, appears to have diminished also. It would seem, therefore, that, on average, hourly labour costs in Canadian boatbuilding, though still below those in United States boatbuilding, are rapidly approaching the level in the United States industry. Furthermore, it is now likely that a number of Canadian boatbuilders, particularly those in areas which have in the past paid wages above the industry average, such as British Columbia and southern Ontario, now have higher hourly labour costs than the majority of their United States competitors.

The impact of hourly labour cost differences on the total labour cost of producing a comparable pleasure craft in the two industries depends on the differences in the number of man-hours required to produce a pleasure boat. Should the narrowing in hourly wage rates in the two industries be offset by a relative reduction in man-hours needed to build a boat then the cost of labour relative to the total cost of production will tend to decrease in the Canadian industry compared to the United States industry. It would appear that this has, indeed, been the case, at least up to 1973.

The Boatbuilding and Repair Industry is a labour intensive one in both Canada and the United States. In Canada, while wages paid to production workers in all manufacturing industries between 1966 and 1971 averaged 15.2 per cent of the value of shipments, the comparable figure for boatbuilding and repair was 24.7 per cent, some ten percentage points higher. A similar relationship between All Manufacturing and boatbuilding, with respect to labour use, existed in the United States.

(1) "Fringe Benefit Costs in Canada, 1973" - The Thorne Group, Ltd., September 1974

While the advantage of lower wage rates did not result in lower labour costs per dollar of sales for the Canadian Boatbuilding and Repair Industry as a whole, there may have been sectors of the industry where lower wage rates did result in lower unit labour costs. For instance, for seventeen large establishments with annual sales in excess of \$1 million, wages and salaries comprised 25.3 per cent of the value of shipments, lower than the Canadian industry level of 28.6 per cent, and below the United States industry level of 26.9 per cent. The five sail-boat specialists with sales in excess of \$1 million incurred labour costs in 1971 that represented 27.4 per cent of dollar sales and 50 per cent of value added, again a substantive improvement over the performance of the Canadian industry as a whole (See Table 4.33). Moreover for two of these establishments total labour costs came to 24.3 per cent of total sales. The rapid increases in hourly earnings and hourly labour costs in Canadian industry during 1974 and 1975, and the diminished advantage that the Canadian industry now has in this respect, has, of course, also affected the position relative to United States producers of these more efficient members of the Canadian industry - indeed, depending on the location of their plants, a number of them are at a disadvantage, in terms of wage rates when compared to many if not most United States sailcraft producers.

Productivity Comparisons

The fact that United States pleasure craft manufacturers pay more for their labour, and nevertheless spend a smaller proportion of their total revenues on wages and salaries suggests that there is a substantial gap in productivity. This disparity is estimated at between 15 and 20 per cent.

Table 4.32: Productivity Trends in the Boatbuilding and Repair Industry, 1967-1972, Canada as a Percentage of the United States

	Value Added ^(a)		
	<u>per Production Worker</u>	<u>per Employee</u>	<u>per Man-Hour Paid</u>
	%	%	%
1967	86.8	84.9	81.7
1968	84.9	83.4	81.5
1969	85.8	83.6	80.2
1970	75.0	78.0	69.7
1971	77.8	81.5	72.2
1972	83.2	85.8	76.5

(a) Value added is on a "total activity" basis and is expressed in current dollars in national currencies.

Source: Statistics Canada and U.S. Department of Commerce

Table 4.32 expresses value added by total activity per production worker, per employee (including all employees) and per man-hour paid in the Canadian Boatbuilding and Repair Industry as a percentage of value added by total activity per production worker, per employee, and per man-hour paid in the United States Boatbuilding and Repair Industry. The calculations confirm that there is a substantial difference in average productivity between the Canadian and United States boatbuilding industries. Moreover, on the basis of the three productivity "measurements", it would appear that, while productivity in the United States industry increased more rapidly from 1967 to 1970, productivity grew relatively more rapidly in the Canadian industry during 1971 and 1972. In spite of this relative improvement in recent years, the difference in productivity between the two industries was greater in 1972 than in 1967.

The productivity gap between the United States and Canadian boatbuilding industries was greatest in terms of value added per man-hour paid: \$7.90 and \$6.05 per man-hour paid respectively. In other words, for each man-hour paid to hourly-paid workers, productivity in the Canadian industry was, on average, 23.5 per cent lower. This measurement of productivity, however, excludes the man-hours worked by salaried employees. The inclusion of the man-hours worked by salaried employees would probably reduce the difference in productivity between the two industries somewhat because the Canadian boatbuilding industry, in 1972, had relatively fewer salaried people than the United States industry.

Productivity in the Canadian boatbuilding industry compares less unfavourably when measured in terms of production workers than when measured on the basis of man-hours paid; the average value added per production worker in the Canadian industry was, in 1972, \$12,765 or 83.2 per cent of the value added per production worker, \$15,340, in the United States industry, a difference of 16.8 per cent. The productivity performance of the Canadian industry compares more favourably when productivity is estimated on the basis of production workers, rather than man-hours, because the production worker in Canadian boatbuilding on average works more hours per year.

When productivity is measured in terms of value added per employee, the advantage of the United States boatbuilding industry is further reduced because the United States industry has relatively more administrative, sales and other employees (employees not included in value added per production worker) than the Canadian boatbuilding industry. Value added per employee, lower, of course, than value added per production worker, in Canada was \$10,770 or 85.8 per cent of the United States level of \$12,555; a productivity gap of 14.2 per cent.

None of the three productivity indicators discussed above gives an accurate picture of productivity performance in the Canadian and United States pleasure craft industries. The most appropriate indicator would be one based on man-hours worked by all employees, thus incorporating elements of all three measurements. Nonetheless, there is ample evidence to conclude that productivity in the Canadian pleasure craft industry is between 15 and 20 per cent lower than productivity in the United States industry.

The comparative productivity percentages set out in Table 4.32 were not adjusted for currency fluctuations. One might well ask, therefore, what effect fluctuations in Canada-United States exchange rates might have on the comparative productivity percentages set out in Table 4.32. This is a complex matter with positive and negative effects being registered over time following rate changes. It can be said, however, that when the percentages shown in Table 4.32 were "adjusted" for currency fluctuations, they exhibited the same downward trend; the decrease was attenuated, however, because the price of the United States dollar in Canada dropped steadily from an annual average of 107.87 Canadian cents per United States dollar in 1967 to 100.98 in 1971 and 99.05 in 1972. On balance, for a number of reasons, it could be expected, therefore, that the benefits of the improvement in the comparative productivity of the Canadian boatbuilding industry deteriorated in such circumstances. In other words, the improvement in productivity per employee in the Canadian boatbuilding industry noted previously in this chapter was, in relation to the industry's international competitive position, eroded, in part, by the increasing value of the Canadian dollar in the United States.

Both the Canadian and United States Boatbuilding and Repair Industry compare unfavourably with the performance of their respective manufacturing sectors with respect to almost every indicator. Table 4.33 refers. However, on the basis of the latest data available (1967), it appears that the position of the United States industry, relative to All Manufacturing (represented by composite data for 124 comparable industries) is better than that of the Canadian industry. The Canadian Boatbuilding and Repair Industry has, relative to All Manufacturing, more establishments than the United States industry. In terms of establishments the Canadian industry is therefore more important to total Canadian manufacturing than the United States industry, 0.9 per cent versus 0.7 per cent. On the basis of value of shipments, value added and the number of production workers, however, the United States Boatbuilding and Repair Industry contributes more to All Manufacturing in that country. Although the average United States Boatbuilding and Repair establishment is smaller than the All Manufacturing average in terms of value of shipments, value added and number of production workers, the difference is less than it is for the Boatbuilding and Repair Industry in Canada. The same is true as regards productivity per man-hour measured on the basis of value of shipments, though not in terms of value added. Generally speaking, when compared to the situation in the United States, the Boatbuilding and Repair Industry in Canada contributes less and, relatively, is less important to the total manufacturing sector in Canada.

Considerations Attaching to Canada-United States Comparisons

Previous sections of this chapter have touched on, or have pointed to, a number of the factors which contribute to the higher production costs, the lower level of productivity and, hence, the generally weaker competitive position of the Canadian pleasure craft industry as a whole compared to that in the United States. Those factors and a few additional considerations are summarized below.

Scale of the Industry

The pleasure craft industry in Canada is much smaller than the industry in the United States. Shipments of the Boatbuilding and Repair Industry in Canada in 1972 totalled \$70 million compared with slightly more than \$1 billion by the United States industry (See Table 4.34). Similarly, the estimated demand for pleasure craft in Canada of \$51.2 million at factory level in 1972 was 5.3 per cent of the demand of \$965 million in the United States in that year.

Table 4.34: Comparisons of United States and Canadian Boatbuilding and Repair Industries, 1967 and 1972

	1967			1972		
	Can.	U.S.A.	Can. as a % of U.S.A.	Can.	U.S.A.	Can. as a % of U.S.A.
Value of shipments (a)						
\$ million	32	571	5.6	70	1,039	6.7
No. of establishments						
Number	249	1,596	15.6	239	1,755	13.6
Value of shipments per establishment						
\$'000	129	358	36.0	294	592	49.7
No. of employees (b)	2,326	30,500	7.6	3,152	40,200	7.8
No. of employees (b) per establishment	9.3	19.1	48.7	13.2	22.9	57.6
No. of production workers	1,813	26,200	6.9	2,569	32,900	7.8
No. of production workers per establishment	7.3	16.4	44.5	10.7	18.7	57.2

(a) Value of shipments includes manufacturing and non-manufacturing revenues.

(b) Canadian data includes working owners and partners

Source: Statistics Canada and U.S. Department of Commerce

In sheer size, therefore, the pleasure craft industry in the United States is, on average, fifteen to twenty times larger than that in Canada. Although the advantages attaching to size are certainly not all positive or significant, and do not necessarily result in greater industry efficiency or competitiveness, the presumption that important competitive advantages can be derived from sheer

industry size is certainly strong - and indeed it is borne out, as already indicated, when more specific bases of comparison between the United States and Canadian industries are used. It should be noted also that the size of the United States industry is not only a reflection of a population which, in 1973, was 9.5 times greater, and of a level of consumer expenditures which was twelve times higher⁽¹⁾, it also reflects the existence of a climate which makes pleasure boating a year-round activity in a sizable portion of the country.

Scale of Operations of Firms

Not only are pleasure craft manufacturers in the United States part of a comparatively much larger industry than Canadian producers, but many United States producers are also part of a large corporate complex: in many cases they operate a number of boat-building plants and/or form part of a large, multiproduct parent organization.

The Bangor Punta Corporation, Whittaker Corporation, AMF Inc., Fuqua Industries, and U.S. Industries Inc., are examples of major United States corporations which have several pleasure craft plants and produce and distribute a wide range of products with often a major interest in the broad leisure goods market. All of these corporations rank within the five hundred largest United States corporations according to sales volume and most of them compete aggressively in the Canadian pleasure craft market. For example, total sales of the Bangor Punta Corporation in 1972 were \$277 million, of which recreational product sales mostly boats, totalled \$105 million. These figures compare to 1972 sales of \$6.9 million for C & C Yachts Manufacturing Ltd., Canada's largest pleasure craft manufacturer.

In the United States pleasure craft industry, manufacturing establishments not only tend to be larger than in the Canadian industry; but also, frequently, have behind them the resources of very large parent organizations. One would expect that this results in a number of important comparative advantages, e.g., in advertising, promotion and marketing, in procuring materials at advantageous prices, in access to capital at favourable borrowing rates and in the availability of management skills.

Number and Size of Plants

The average number of establishments in the Boatbuilding and Repair Industry in Canada in the last dozen years has been about 241; it was 233 in 1961 and 239 in 1972. The number has fluctuated between a low of 224 (1969) to a high of 259 (1968). Although not all of those establishments produced pleasure craft, such goods are produced by some twenty-three other establishments which are not classified to the Boatbuilding and Repair Industry. Thus, the total number of establishments producing pleasure craft has remained quite high. The great majority of the establishments are very small; based on the Boatbuilding and Repair Industry, they had an average of thirteen employees and average shipments of \$294,000 in 1972.

(1) See also Table 3.13 on page 58 which sets out estimates of expenditures in the United States in 1973, on recreational boating and related activities

On the other hand, the number of establishments in the United States industry is relatively lower, and the average production per establishment appreciably higher, than in Canada. Based on the number of establishments listed to the Boatbuilding and Repair Industries in the two countries in 1972 (See Table 4.34), there were 1,755 pleasure craft producers in the United States, compared with 239 in Canada. Therefore, the United States industry with between seven and eight times as many establishments produces fifteen times as much. Clearly the average establishment, in terms of value of shipments, was considerably larger in the United States than in Canada; \$592,000 versus \$294,000 in 1972. The average United States boatbuilding plant is larger also in terms of total employment; in 1972 it employed twenty-three people as compared with thirteen for the Canadian boatbuilding establishment.

The difference in plant size between the two boatbuilding industries is however diminishing. The average value of shipments per establishment in the Canadian industry has, since 1967, risen more rapidly than that of the United States industry. Although each industry expanded total sales at a brisk pace, the Canadian industry achieved this with roughly the same number of establishments, while the number of plants in the United States industry increased by 10 per cent. Consequently, whereas in 1967 the average establishment in the Canadian Boatbuilding and Repair Industry was only about a third the size of the average United States plant, it was, by 1972, nearly half as large.

Of the 1,755 establishments in the United States Boatbuilding and Repair Industry there are many, of course, that have annual sales well in excess of \$592,000, the industry's average, and many of these would be several times larger than the largest establishment in the Canadian pleasure craft industry. For instance, one major producer of pleasure craft in the United States produced in one year the equivalent of half or more of the total value of shipments of the entire Canadian pleasure craft industry.

Although the Board does not have information that relates productivity to scale of production for the United States Boatbuilding and Repair Industry, it would appear likely that value added per employee for these large United States plants is considerably greater than for the largest comparable facilities in the Canadian industry.

It should be noted that this advantage in size and productivity does not necessarily result in a corresponding advantage in competitiveness (selling price) or in the rate of return on investment: part of the advantages derived from size and higher productivity is "necessary" in order to meet the higher cost of labour in United States boatbuilding; furthermore the large producers have to meet other outlays, e.g., research and development, marketing and promotion, which are related to the size of their operations.

Concentration of Production

According to a 1971 study by the Department of Consumer and Corporate Affairs⁽¹⁾, the Canadian Boatbuilding and Repair Industry was ranked in the lowest of seven categories as to degree of concentration. It can be added that in both the Canadian and United States pleasure craft industry the degree of concentration of production in the larger manufacturers is low compared to almost all other manufacturing sectors.

In the definitions employed in the above study, industries of lowest concentration are those in which over fifty enterprises are required to account for 80 per cent of industry shipments. In 1965, the base year used in this study, the fifty largest enterprises in boatbuilding and repair accounted for only 76 per cent of shipments. This figure accords reasonably well with the percentages presented earlier (See Table 4.17) where the largest forty-nine establishments in pleasure craft manufacture accounted for 85 per cent of production.

As might be expected, in view of the similar make-up of the industry in the United States, boatbuilding in that country also exhibits a low degree of concentration. In fact, although the latest data available are for 1967, the fifty largest companies in the United States Boatbuilding and Repair Industry accounted for only 57 per cent of shipments in that year. This figure, as well as other published "concentration ratios", might indicate that there was an even lesser degree of concentration in United States pleasure craft manufacture than in the Canadian industry.

However, two relatively recent studies of pleasure boat manufacturing in the United States note that there has been a strong trend to industry consolidation through mergers and acquisitions. This trend continues: for example, Predicasts Inc., forecasts that "eight to ten large companies will dominate the recreational boating markets. The most successful companies are expected to be large firms involved mainly in producing and marketing leisure time products and services."⁽²⁾ Credence must be given to this forecast of industry trends although the consolidation and reorganization evidently in process in the United States pleasure boat industry has not yet been reflected in the published statistics.

In Canada, since 1970, three companies producing pleasure craft have commenced to operate on a dual plant basis. However, in the United States industry there have emerged relatively more multi-plant pleasure boat manufacturing operations which, as already noted, frequently form part of much larger corporations specializing in the production of leisure goods. The extent and rate of consolidation and reorganization apparently taking place in the pleasure boat industry is an important factor in considering the competitiveness of the Canadian industry.

(1) Department of Consumer and Corporate Affairs, Concentration in the Manufacturing Industries of Canada, Ottawa, 1971

(2) Predicasts, Inc. Recreational Boating (Cleveland, Ohio, 1970)

Degree of Specialization and Length of Runs

The Board previously found that in the Canadian pleasure craft industry the length of the model production run was a significant factor in determining production costs in the construction of large pleasure craft, such as auxiliary sail-boats and power cruisers, but not in the building of smaller craft such as canoes, utilities and runabouts. Perhaps as a result, it was also found that small pleasure craft production is predominantly carried out by plants producing two or more types of craft, while large pleasure craft production is mostly accounted for by manufacturers specializing in one type of craft only.

In large pleasure craft production, the fact that Canadian demand for a particular model or hull size is several times smaller than the United States market, and in addition is dispersed over a wider area, means that the Canadian producer would have a much shorter production run than the United States manufacturer of large pleasure craft.

A number of studies comparing United States and Canadian manufacturing have pointed to short production runs as a major, often the main, cause of lower productivity in Canada. As the Economic Council of Canada notes, short runs usually result in inefficiencies in the use of both labour and capital, and this for a number of reasons, such as frequent change-overs of models requiring the halting of production, more downtime to move different models through production lines and less specialization in labour functions. Conversely, longer production runs result in cost efficiencies and are reflected in lower direct labour costs per unit.⁽¹⁾ Longer model runs often also yield significant savings in other cost components. Most importantly for pleasure craft production, the substantial capital invested in prototypes and moulds, for a particular model, can be spread over a greater volume of units where model runs are longer, thus permitting lower overhead per unit.

Canadian producers of sailcraft, particularly of large auxiliary sail-boats, recognizing the importance of longer (model) production runs and the limitations of the domestic market, have acquired a relatively high degree of volume specialization by expanding their market area into the United States. Over half of Canadian sail-boat production was exported in 1971. Foreign sales of the larger auxiliary-powered sail-boats accounted for 70 per cent of their total output. In that year, six firms, out of a total of forty-three sail-boat producers, accounted for 70 per cent of total Canadian sailcraft production and 83 per cent of all sailcraft exports. While the Board does not have information on the United States sail-boat industry as regards its degree of specialization and the length of production runs, it is reasonable to believe that, in both respects, the over-all performance of the major firms in the Canadian sail-boat industry compared favourably with that of their United States competitors.

(1) Daly, D.J., Keys, B.A., and Spence, E.J., Scale and Specialization in Canadian Manufacturing, op. cit., pages 20-21

The Canadian power cruiser industry continues to reflect the size and nature of the Canadian market for power cruisers, i.e., a large number of small producers each producing a small number of craft only. Compared with United States power cruiser producers their runs are probably very short, a significant competitive disadvantage. Substantial improvement in productivity and efficiency would appear to be possible through longer production runs and a higher degree of specialization. However, in view of the high cost of transporting these larger vessels over long distances, the most likely opportunity for achieving greater volume specialization would appear to be the United States market.

One Canadian producer, Shepherd Boats, Ltd., is exporting a large proportion of its total output to the United States, and thus has achieved a degree of specialization and volume believed to be comparable to United States producers: Shepherd Boats, a subsidiary of Whittaker Corporation, as part of a duty remission program⁽¹⁾, produces, at its Niagara-on-the-Lake plant, its parent company's entire North American requirements of a specific power cruiser model.

The Board noted earlier the relatively high degree of diversification, or conversely the low degree of specialization, in Canadian production of smaller pleasure craft, canoes, utilities, and runabouts, and that this was largely because the advantages of scale exceeded the disadvantages of short model production runs. Detailed information on the degree of diversification in United States production of smaller pleasure craft was unavailable to the Board. However, it would appear that, as regards these types of craft, diversification is also high in the United States.

The significant difference between the two industries is not in terms of diversification, or specialization in specific types and models of craft, but rather in terms of scale. The United States market for smaller pleasure craft is several times larger than the Canadian market. This makes possible much higher volume production for specialized as well as diversified producers in the United States. Information available to the Board suggests that the larger United States producers of smaller pleasure craft may build more hull sizes than the large Canadian producers, with a large volume of production for each size. The United States producer of smaller pleasure craft appears to have a substantial advantage in both length of production runs and scale. Scale can yield a number of economies: there exist many costs which are more or less fixed, such as building depreciation, management salaries, production supervision, costs of transport facilities, and advertising and promotion, which, when allocated over a greater volume, result in lower unit costs.

Others

There are a number of other considerations which are relevant to a comparison of the United States and Canadian pleasure craft industries. They include the costs relating to transportation, the distribution of the domestic market, the cost of capital and equipment, the advantages of original design, dealership arrangements, climate and seasonality of demand and, generally, the relative "cost of doing business" in the two countries.

(1) See Chapter VIII

Transportation - A number of members of the pleasure craft industry in Canada maintained that transport costs were less in the United States and that this represented an important advantage to United States pleasure boat manufacturers. Reference was made to both trucking and rail costs. The most effective mode of transport in this industry is via large specially-outfitted trucks. The ability to operate a number of such trucks, or to command quantity rates from specialized or other trucking firms, and, hence, to ship to more distant delivery points, is essentially a function of a manufacturer's volume of sales. Large United States pleasure craft producers, some operating a fleet of specially-designed vehicles, can thus be expected to enjoy certain cost efficiencies which are not within the reach of smaller Canadian producers. While lower trucking costs are closely related to scale of operations, there is also evidence that certain common carrier rates are less in the United States. Some eastern Canadian producers, for example, stated that they use, whenever possible, United States rail lines, to reach their Canadian west coast markets to take advantage of lower United States freight rates. The Board did not attempt a study of the transport rate structures in the two countries.

Distribution in Canada is generally more costly as a result of the coast-to-coast, ribbon-like nature of the market to be served and its small size in terms of volume. United States pleasure boat producers, on the other hand, can frequently locate more centrally with north-south and east-west distribution lines, and, at the same time, with access to a much larger market. However, there are United States producers that ship across the continent, and into Canada, whose gross returns are greatly affected by transportation costs. Such large producers, realizing considerable economies of scale in production and overhead costs, devote part of these gains to achieve greater market penetration and to meet the transportation costs involved. Although the Canadian market is widely dispersed, Canadian manufacturers of pleasure boats have located in the areas of greatest market concentration; the largest enterprises, particularly those producing power cruisers and sail-boats, have acquired scale of production much more by penetrating adjacent United States markets than by interprovincial shipments across vast distances.

Higher Capital and Equipment Costs - Even though pleasure boat manufacture is not capital intensive, some of the capital equipment employed is presumed to be more costly to Canadian manufacturers. This would apply to presses and routers used in aluminum boat-building and to such items as hand tools, spraying equipment, and wood-working and machine shop equipment. During the public sittings the spokesman for Harber Mfg. Limited of Fort Erie, Ontario, pointed out that the preponderance of such tools and equipment, particularly if of a specialized nature, was imported from the United States at a higher cost to the Canadian user.⁽¹⁾

(1) It is worth noting also that many Canadian pleasure boat producers expressed the view that they were "last in line" for equipment, accessories and parts. Particular reference was made to goods which are imported. For example, when there developed a serious shortage of I/O engines in 1973, companies which in fact were "last in line" encountered relatively greater problems than those which were in a better position, e.g., with longer delivery dates the financing of inventories of otherwise finished craft became a heavy additional handicap.

Original Design - The United States pleasure craft industry undertakes considerably more new product research, product innovation and design than its Canadian counterpart. While attractive new designs and products can be, in most cases, quite freely copied or can be produced under licence from the originator, United States initiators of new designs or products have the advantage of being first in the market place with a successful new idea. This advantage is relatively more important in the runabout sector, where model design and styling change frequently. As observed earlier, Canada's sailcraft sector is a notable exception.

Dealership Arrangements - One United States study has portrayed the dealership structure as "the weakest link" of the pleasure craft industry in that country.⁽¹⁾ One would expect to find a corresponding weakness in retailing in the Canadian industry: not all boat outlets are adequately financed, they generally tend to be small merchandisers and cannot always provide necessary after-sale servicing. To some extent there is a competition between Canadian and United States manufacturers for the more dependable and knowledgeable retail representative, and in this competition United States manufacturers can frequently offer a more attractive dealership package including better financing, greater media advertising, fuller product exposure at boat shows, and also, in some cases, a fuller line of complementary recreational products including snowmobiles, campers and various sporting goods.

Climate - The effect of Canada's northern climate has been mentioned with respect to the impact of a comparatively short recreational boating season on the seasonality of boat sales. A number of other disadvantages can be noted: winter snow and ice conditions create difficulties in storage, handling and transportation not experienced by perhaps the majority of United States producers; sizable manufacturing and storage areas are required in the pleasure craft industry, and the costs of operating in enclosed heated facilities represent a burden not borne, for example, by producers in California and some other areas in the United States; less seasonality in demand also represents lower inventory and financing costs.

Taxes and Other Charges - One brief, that of Harber Mfg. Limited, Fort Erie, contended that "Many U.S. firms do not have the compulsory government costs of production that are represented by Unemployment Insurance, Workmen's Compensation, Pension Plan, Vacation Pay, Federal and Provincial tax, higher interest rates, minimum wage, etc."⁽²⁾ This contention appears to rest on the general argument that there is a "higher cost of doing business" in Canada. The Board did not attempt the major study which an assessment of the contention quoted above would involve.

(1) Arthur D. Little, Inc. Outlook for the Pleasure Boat Industry, April, 1970

(2) Transcript, Volume III, p. 425

Summary

Summarizing the results of the comparisons drawn in this section, it can be said that generally speaking, the Canadian pleasure craft industry has, in the past, paid less for labour than the United States pleasure craft industry. This advantage has been diminishing, and has recently disappeared. The equal or greater hourly labour costs together with lower productivity in the Canadian industry, has resulted in labour costs per dollar of sales that are now considerably higher for the Canadian industry. The material cost of the Canadian pleasure boat is also higher because Canadian manufacturers pay more for materials and some possibly use them less efficiently and effectively. The Canadian manufacturer of pleasure craft also must pay more for his production parts, ancillary equipment and accessories so that, in this respect also, the production costs of the Canadian-built pleasure craft would be greater than those of the United States-built craft. Finally, overhead costs are substantially higher for the Canadian boat-builder. The foregoing suggests that, on the basis of factory cost, the Canadian pleasure craft industry is at a substantial competitive disadvantage compared to the United States pleasure craft industry.

While the higher cost of most production inputs, e.g., materials, parts, accessories, and equipment, is an important factor in the higher cost of pleasure craft manufacturing in Canada, the major reason is the relative inefficiency of the average producer in the Canadian industry: his productivity, as measured by value added per employee, would appear to be 15 to 20 per cent lower than that in the United States industry. The lower productivity of the Canadian industry appears to be largely the result of its smaller scale; United States pleasure craft plants are on average much larger than Canadian boat-building plants and are frequently a part of an even larger corporate organization. This difference in scale of production is, of course, primarily a reflection of the differences in the size and nature of the two domestic markets for pleasure craft; the Canadian demand for pleasure craft is very much smaller, and it is more dispersed.

There are, of course, sectors of the pleasure craft industry and individual producers in Canada, whose production costs compare more favourably with their United States competitors. The Canadian sailcraft sector, especially in the production of auxiliary-powered sail-boats, dominated by five or six large producers, is probably as efficient as its United States competitors; the same applies to one power cruiser manufacturer in Canada. These producers are no longer confined to the domestic market, but have increased the scale of their operations greatly by developing large export markets, primarily in the United States. Value added per employee for these producers is close to 50 per cent higher than the average for the Canadian pleasure craft industry as a whole, and some 20 per cent higher than the average for the United States boat-building industry. While the Board was unable to obtain separate information on the productivity performance of the United States sailcraft sector, and of the larger establishments within that sector, it is reasonable to assume, that the productivity performance of the two sailcraft sectors is comparable.

The Canadian industry seems to compare quite unfavourably with the United States industry in the production of canoes/utilities, runabouts, power cruisers and "other boats". It is here that differences in the scale of operation are most noticeable (especially in the production of aluminum pleasure craft, where scale, as pointed out earlier, is particularly important). These sectors of the Canadian pleasure craft industry are mostly dependent upon the Canadian market; they do not export and thus suffer the full impact of the relative smallness and dispersion of the domestic market. The average Canadian plant is considerably smaller than the United States plant producing these types of craft; efficiency and productivity are lower; and the cost of most production inputs are higher. It is not surprising, therefore, that the cost in Canada of producing canoes/utilities, runabouts, power cruisers and "other boats" is substantially higher than it is in the United States.

CHAPTER V: THE MARKET FOR PLEASURE CRAFT IN CANADA

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CHAPTER V: THE MARKET FOR PLEASURE CRAFT IN CANADA

INTRODUCTION

The principal objective of this chapter is to describe the size, distribution, and characteristics of the pleasure craft market in Canada. Quantitative estimates are provided concerning inter-regional and international trade by region. This is followed by a brief discussion of the main factors which have governed, and which will most likely continue to influence the level of expenditures on recreational durables and pleasure craft in the future. The latter part of the chapter will discuss the typical marketing arrangements including dealer and distributor discounts, sales promotion, the means and costs of transportation and, finally, pricing and prices.

ESTIMATES OF THE DOMESTIC MARKET FOR PLEASURE CRAFT

Table 5.1 summarizes the pleasure craft market in Canada, by major types of craft, in 1971. This summary table, which is based on the Board's survey of the industry and other studies, forms the basis for most of the market analyses which follow. Since no retail figures on pleasure craft sales are available, the "apparent market" has been calculated as being domestic shipments (production) plus imports, less exports, with all values on an f.o.b. factory basis.⁽¹⁾ The principal source for the tabulations shown was the Board's industry survey which provided most of the detailed data on domestic shipments as well as the estimates of the breakdown of exports. The import details given are based on the Board's own analysis of imports. The presentation of data tabulated by the Board has been restricted in order not to reveal, directly or indirectly, individual company information of a confidential nature.

Generally speaking, estimates of value are found to be more easily obtainable and are also more accurate than volume figures. Where reasonably reliable quantitative estimates could be made, they are introduced in the following discussion of market segments. Some of the statistical procedures used, and possible errors involved, in deriving the data shown in Table 5.1, are discussed in Appendices B.5 and B.6.

The Canadian pleasure craft market, according to the Board's survey, amounted to \$42.3 million, f.o.b. factory, in 1971. This figure is based on domestic shipments of \$44.3 million plus imports of \$10.3 million, minus exports of \$12.3 million. The Canadian pleasure craft industry, in that year, produced more than was sold in the Canadian market, exporting some \$2.0 million more than was imported. The industry exported 27.7 per cent of its output. Domestic manufacturers supplied 75.7 per cent of the domestic market, with the remaining 24.3 per cent being supplied by foreign pleasure craft producers.

(1) Domestic shipments and exports were reported on an f.o.b. plant basis. The value of goods imported is based on the selling price, f.o.b. point of shipment, reported by importers.

Table 5.1: Estimates of the Domestic Market for Pleasure Craft, by Product Group, at Manufacturers' Price Level, 1971

Product Group	Domestic Shipments	Plus Imports	Less ^(a) Exports	Apparent Market	Percentage of Total Market
		- \$'000 -			%
Canoes	3,171	68	390	2,849	6.7
Utility-boats	4,238	826	118	4,946	11.7
<u>Total</u>	7,409	894	508	7,795	18.4
Runabouts:					
FRP	12,526	2,193	170	14,549	34.4
Aluminum	618	890	-	1,508	3.6
Wood	376	-	-	376	0.9
<u>Total</u>	13,520	3,083	170	16,433	38.8
Sailcraft:					
Without Aux. Power	6,263	648	2,118	4,792	11.3
With Aux. Power	8,467	567	5,886	3,148	7.4
<u>Total</u>	14,730	1,214	8,004	7,940	18.8
Power Cruisers	6,721	3,660	2,935	7,446	17.6
Other Boats ^(b)	1,939	1,099	666	2,372	5.6
Unidentified ^(c)	-	344	-	344	0.8
<u>Total Pleasure Craft</u>	44,319	10,294	12,283	42,330	100.0

(a) Includes re-exports

(b) Includes inflatables, houseboats, multihull sailcraft, pedal-boats or pedalos, pontoon-boats, scooters, etc.

(c) Refers to imports of pleasure boats which could not be further classified

Source: Based on Tariff Board Industry Survey, Tariff Board Import Analysis and Statistics Canada data

As shown in Table 5.2, the Canadian market for pleasure craft has grown rapidly since 1950, from \$2.3 million to \$51.2 million in 1972.⁽¹⁾ Canadian manufacturers have, over this period, supplied a diminishing share of this market; their share declined from 95.6 per cent in 1950 to 70.2 per cent in 1972. Conversely, foreign suppliers have increased their share of the domestic market over the same period from 4.4 per cent to 29.8 per cent. Canadian producers lost ground in the domestic market especially during the 1950's when the share of foreign producers rose from 4.4 per cent to 30.9 per cent. During the 1960 to 1966 period, import penetration was reduced by nearly half. However, from 1967 to 1972, the share supplied by foreign producers has increased again, so that their position in the Canadian market in 1972 was almost the same as in 1960.

Confidential information made available to the Board indicates that the Canadian market for pleasure craft continued to expand

(1) See Appendix A.3 for statistics for all years, 1948 to 1973

at a vigorous pace during 1973 and 1974. Imports of pleasure craft appear to have increased even more rapidly - by 58 per cent in 1973, from \$15.3 million to \$24.1 million, and by 84.5 per cent in 1974, from \$24.1 million to \$44.5 million. Consequently it would appear that foreign producers have increased their share of the Canadian market greatly; it is believed that this share may have been about 50 per cent in 1974.

While domestic producers lost ground in the home market, they gained in foreign markets. Exports rose from \$506,000 in 1950 to \$23.3 million in 1973. In 1974, at the same time that imports nearly doubled, exports increased by less than 2 per cent to \$23.7 million. Over the period as a whole exports have exceeded imports. There were, of course, variations from time to time in the net trade position. During most of the 1950's, Canada was a net exporter of pleasure craft and hence production exceeded domestic sales. A net import position, however, prevailed during the late 1950's and most of the 1960's. From 1968 to 1972, Canadian trade in pleasure craft resulted in a surplus and thus stimulated domestic production. The sharp increase in imports during 1973 and 1974 and the modest growth in exports, especially in 1974, have, however, resulted in an abrupt reversal in Canada's trade position for pleasure craft; in 1973 there was a deficit of \$826,000, and in 1974 a deficit of \$20.8 million.

Table 5.2: Estimated Domestic Market for Pleasure Craft,
Selected Years, 1950-1973

Year	Domestic ^(a) Shipments \$'000	Add Imports \$'000	Deduct ^(b) Exports \$'000	Estimated Domestic Market \$'000	Imports as % of Domestic Market	Exports as % of Domestic Shipments
1950	2,731	102	506	2,328	4.4	18.5
1955	5,589	720	2,021	4,289	16.8	36.2
1960	9,988	3,869	1,317	12,541	30.9	13.2
1965	19,971	3,622	2,946	20,646	17.5	14.8
1966	23,123	3,919	3,478	23,564	16.6	15.0
1967	25,331	4,945	4,468	25,808	19.2	17.6
1968	30,076	5,923	7,392	28,607	20.7	24.6
1969	35,781	7,182	10,920	32,043	22.4	30.5
1970	37,027	6,519	10,912	32,634	20.0	29.5
1971	41,687	10,294	12,283	39,698	25.9	29.5
1972	53,186	15,275	17,236	51,225	29.8	32.4
1973	..	24,121	23,295	..	..	..
1974	..	44,494	23,666	..	..	..

(a) Factory shipments data prior to 1965 are not fully comparable with those for 1965 and later years.

(b) Includes re-exports

Source: Derived from Statistics Canada data

The Board was able to estimate the Canadian market by each type of pleasure craft for 1971 only, because the breakdown of exports and imports by type of craft was carried out by the Board for that year only. Hence in order to arrive at some estimate of growth in the Canadian market by type of pleasure craft over a number of years, the Board had to rely on shipments or production data. This basis of estimating the domestic market is faulty on two main counts: it includes the value of production which is exported and therefore is not sold on the Canadian market, and it does not take into account the value of imports which are, of course, sold on the domestic market. Thus, the level (and rate of growth) of the market is less than that estimated on the basis of shipments data when Canada is a net exporter; and, of course, the reverse is far greater when Canada is a net importer.

The value of factory shipments by type of pleasure craft or product group is presented in Table 5.3. It should be noted that the classification of pleasure craft used in this table is the one used by Statistics Canada in reporting the shipments of "non-commercial" craft by the Boatbuilding and Repair Industry, and differs from the classification used in this Report in a number of ways. "Outboard boats", for instance, probably include utilities which are normally used with an outboard motor; thus, using the Board's classification, the shipments of runabouts would be lower than the shipments of "outboard boats" shown in Table 5.3, and the shipments of utilities would be higher than the shipments of row-boats, skiffs and dories. Similarly, "cruisers and yachts" have on occasion included some auxiliary sail-boats as well as power cruisers. The data in Table 5.3 should therefore be interpreted with considerable care, and are probably more indicative of the growth of the various segments of the pleasure craft market than of their actual level.

Table 5.3: Canadian Shipments of Pleasure Craft, by Type of Craft, Selected Years, 1960-1972

	<u>1960</u>	<u>1965</u>	<u>1967</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
	- \$'000 -					
Canoes	393	1,042	1,252	2,375	3,708	3,972
Row-boats, Skiffs,						
Dories	900	1,052	1,305	1,724	900	2,310
Sail-boats	186	3,153	5,251	9,342	13,372	17,412
Outboard Boats	8,160	10,623	11,724	14,517	15,610	13,621
Cruisers and						
Yachts	1,000 ^(a)	2,321	4,548	7,200	6,011	11,334
Other	351	1,780	1,251	1,869	2,086	4,537
<u>Total</u>	10,990	19,971	25,331	37,027	41,687	53,186

(a) Rough estimates only; separate statistics on cruisers and yachts are not available prior to 1965 but shipments have been estimated at \$1 million in 1960.

Source: Derived from Statistics Canada data

The data in Table 5.3 suggest that the market for canoes has increased tenfold. However, according to the Board's survey of the industry in 1971, canoe exports exceeded canoe imports by about \$320,000 and therefore domestic sales in that year are overstated by about 10 per cent. Nonetheless, it is clear that even after allowing for the export surplus, the domestic demand for canoes has experienced a very strong expansion.

The growth in domestic sales of sail-boats has also been strong, but less so than the value of factory shipments in 1972, for example, would indicate. In the first place, Canada exported \$6.8 million more sail-boats that it imported in that year. On the other hand, for the period prior to 1965, that is, before the development of the Canadian pleasure sail-boat industry and its successful export performance, it is probable that Canada was a net importer of sail-boats and that domestic sales in 1960, for example, were larger than the \$186,000 indicated by factory shipments. On balance it would appear that domestic sales of sail-boats have increased at least tenfold since 1960.

Manufacturers' shipments suggest a sharp increase in domestic sales of "power cruisers and yachts" since 1960 and especially as between 1971 and 1972. It is believed, however, that a substantial portion of the higher shipments were exported to the United States especially in 1971 and 1972, a major factor being the Duty Remission Program instituted in January of 1971⁽¹⁾. On the other hand, the Board's import analysis reveals that the higher exports were probably more than offset by higher imports. Thus, the recent growth in the domestic market for "power cruisers and yachts" is believed to be substantial.

The domestic market for utilities is much greater than is indicated by factory shipments of "row-boats, skiffs and dories" in Table 5.3. This is because utilities normally used with outboard motors are classified under "outboard boats" in Table 5.3. It appears that most of these are aluminum utilities. This is substantiated by the Board's survey which records aluminum runabout shipments at only \$618,000 in 1971, while Statistics Canada reported in that year shipments of aluminum outboards with a value of \$3.5 million. Most of these aluminum outboards, therefore, were utilities and not runabouts. Thus, while a modest increase has been recorded for "rowboats, skiffs and dories" in recent years, this increase is understated in that certain larger utilities are excluded. According to the Board's survey in 1971 the domestic market for all utilities amounted to \$4.9 million.

The value of factory shipments of "outboard boats", as shown in Table 5.3, rose from \$8.2 million in 1960 to \$13.6 million in 1972. The domestic market for runabouts is, on the one hand, larger than these shipments would suggest, because they exclude imports. On the other hand, the domestic market is smaller because the value of shipments of "outboard boats" includes aluminum utilities, as explained above. These two factors offset each other in 1971, and likely were largely offsetting in earlier years as well. Consequently it appears

(1) See Chapter VIII

reasonable to accept the value of shipments of "outboard boats" shown in Table 5.3 as a rough indication of the level and growth of the Canadian market for runabouts. On this basis it would appear that the market has nearly doubled between 1960 and 1972.

Most of the growth in the runabout sector has probably resulted from the rising popularity of the inboard/outboard type of runabout. Better documented trends for the United States reveal substantial growth in inboard/outboard runabout sales. Trade statistics pertaining to imports into Canada of inboard/outboard propulsion units, (no inboard/outboard motors are manufactured in Canada) also attest strongly to the rising popularity of inboard/outboard boats (See Table 7.2).

In summary, it can be said that although each type of pleasure craft has participated in the growth of the total Canadian pleasure craft market since 1960, the growth was particularly strong for sailboats, canoes and power cruisers. The expansion in domestic sales of runabouts and utilities was much more moderate. The succeeding sections examine the domestic market for each type of craft in greater detail.

The Market for Canoes

The domestic market for canoes, as shown in Table 5.1, was estimated at about \$2.85 million in 1971, at manufacturers' prices, and represented about 7 per cent of the total pleasure craft market. Domestic canoe producers supplied about 97.6 per cent of this market; foreign producers were not an important factor in the domestic market for canoes.

Although Canadian canoe manufacturers were largely dependent on the Canadian market, they also shipped 12.3 per cent of their production abroad, mostly to the United States. Exports amounted to \$390,000 in 1971, and exceeded imports of canoes by \$322,000.

There were thirty-five establishments known to the Tariff Board in 1971 engaged in making canoes in Canada. No firm or group of firms, however, had a dominant position in the market. The ten largest canoe manufacturers, all Canadian-owned, were as follows:

Aluminum Goods Division of Alcan Canada Products Ltd., Toronto, Ontario
 Bateaux St. Maurice Inc., Shawinigan, Quebec
 Canadian Boat Mfg. Ltd., Princeville, Quebec⁽¹⁾
 Canots Cadorette Canoes Inc., Grand'Mère, Quebec
 Chestnut Canoe Company Limited, Fredericton, New Brunswick
 Frontiersman Fiberglass Products Ltd., New Westminster,
 British Columbia
 International Fiberglass Ltd., Winnipeg, Manitoba
 Les Canots Tremblay Ltée, St-Félicien, Quebec
 Moise Cadorette Inc., St-Jean-des-Piles, Quebec
 Sportspal Enterprises Ltd., Orangeville, Ontario

(1) Acquired by Aluminum Goods Division of Alcan, in 1974

The market for canoes may be subdivided by type of construction material; FRP, aluminum and canvas-covered wood. The Canadian market was traditionally for canoes made of wood and covered with canvas. They have, however, gradually been losing their share of the market, first to aluminum canoes and, more recently, to FRP canoes. In 1971 the Canadian canoe market was as follows: 42 per cent, or \$1.20 million, for FRP canoes; 40 per cent, or \$1.1 million, for aluminum canoes; and 18 per cent, or \$500,000, for canvas-covered wooden canoes. All three segments of the canoe market are largely supplied by domestic producers. Although import competition was strongest in the aluminum canoe market, imports comprised less than 5 per cent of the Canadian market. Imports of FRP and canvas-covered wooden canoes were insignificant. Exports of each kind of canoe amounted to between 10 and 15 per cent of domestic production in 1971.

Table 5.4: Estimated Domestic Market for Canoes, by Number and Value, 1971

<u>Construction Material</u>	<u>Domestic Shipments</u>	<u>Plus Imports</u> - units -	<u>Less Exports</u> -	<u>Apparent Market</u>
Aluminum	8,597	X	X	7,859
FRP	11,337	25	1,518	9,844
Wood	2,958	X	X	2,704
<u>Total</u>	22,892	454	2,939	20,407
- unit values (\$)				
Aluminum	144	X	X	146
FRP	120	154	112	122
Wood	192	X	X	186
<u>Total</u>	139	150	133	140
- total value (\$'000)				
<u>Total</u>	3,170.7	68.1	390.1	2,848.7

Source: Based on Tariff Board Industry Survey, Tariff Board Import Analysis, and Statistics Canada data

NOTE: X - Signifies data omitted for reasons of confidentiality

The Market for Utility-Boats

The apparent Canadian market for utility-boats in 1971 is estimated at \$4.9 million, at manufacturers' prices, and constitutes about 12 per cent of the total pleasure craft market. Domestic production supplied 83 per cent of the domestic market in 1971, and foreign producers the other 17 per cent. Not only is the degree of import competition in the utility market greater than in the canoe market, but also Canadian utility producers are much more dependent on the domestic market; they exported less than 3 per cent of their output. Foreign trade in utilities resulted in 1971 in a deficit of over \$700,000 compared with a surplus of over \$300,000 in the case of canoes.

Table 5.5: Estimated Domestic Market for Utility-Boats,
by Number and Value, 1971

<u>Construction Material</u>	<u>Domestic Shipments</u>	<u>Plus Imports</u> - units -	<u>Less Exports</u> -	<u>Apparent Market</u>
Aluminum	19,563	4,422	-	23,985
Other (a)	6,480	392	1,139(b)	5,733
<u>Total</u>	26,043	4,814	1,139	29,718
- unit values (\$) -				
Aluminum	165	176	-	167
Other (a)	155	126	104	163
<u>Total</u>	163	172	104	166
- total value (\$'000) -				
Aluminum	3,236.5	776.6	-	4,013.1
Other (a)	1,001.7	49.5	117.9	933.3
<u>Total</u>	4,238.3	826.1	117.9	4,946.5

(a) Combined for confidentiality

Includes utility craft of wood and FRP construction

(b) All of FRP construction

Source: Based on Tariff Board Industry Survey, Tariff Board Import
Analysis and Statistics Canada data

Eighty per cent, by value, of the total utility market is held by aluminum utilities. Of the market for aluminum utilities, imports captured 18.4 per cent in 1971 (See Table 5.5). There were no exports of aluminum utilities in 1971; domestic producers of this type of craft were entirely dependent on the domestic market in that year. Foreign suppliers were much less successful in penetrating the Canadian market for wooden and FRP utility craft. At the same time, Canadian producers of FRP utilities exported at least 20 per cent of their production.

There were, in 1971, according to information compiled by the Board, thirty-eight establishments making utility-boats. The bulk of these were small establishments, producing wood and/or FRP boats. Aluminum utility manufacturing, on the other hand, was very much more concentrated. In 1971 there were only six domestic companies known to the Board making aluminum utility craft and these six companies accounted for three fourths or \$3.2 million of the total value of domestic shipments of all utilities.

Of these six aluminum utility-boat producers, the four largest producers are:

Aluminum Goods Division of Alcan Canada Products Ltd., Toronto, Ontario
 Canadian Boat Mfg. Ltd., Princeville, Quebec⁽¹⁾
 Fabricated Steel Products (Windsor) Limited, Windsor, Ontario
 Harber Mfg. Limited, Fort Erie, Ontario

These four major companies are all wholly Canadian-owned; together they account for 70 per cent of domestic production and have 60 per cent of the total utility market of \$4.9 million. Aluminum utility imports, which constitute 95 per cent of all utility imports, are entirely from the United States: two companies, Starcraft Corporation (Goshen, Indiana) and Lund American Inc. (New York Mills, Minnesota), supplied in 1971 over one half of all utility imports.

The Market for Runabouts

Runabouts led the pleasure craft market in 1971 with sales of \$16.4 million, the manufacturers' level, or an estimated 39 per cent of the total market. As in the utility-boat market, there was substantial competition from United States producers. Imports of \$3.1 million comprised 19 per cent of domestic runabout sales, with 99 per cent originating in the United States.

Inasmuch as the imported runabouts were, on average, of higher value than the domestically-produced units, the level of import penetration in volume terms was lower: 10.8 per cent (See Table 5.6). Canadian runabout producers were almost entirely dependent on the domestic market, exporting, in value terms, little more than one per cent of their production. Imports exceeded the value of exports by close to \$3 million.

As shown in Table 5.8, FRP runabouts dominate the runabout market in Canada; in 1971 FRP runabout sales came to \$14.5 million, at manufacturers' level, and accounted for almost 90 per cent of the total runabout market. The remaining 10 per cent of the runabout market is held by aluminum and, to a lesser extent, by wooden runabouts.

(1) Acquired by Aluminum Goods Division of Alcan, in 1974

Table 5.6: Estimated Domestic Market for FRP Runabouts, by Number and Unit Value, 1971

<u>Design Type</u>	<u>Domestic Shipments</u>	<u>Plus Imports</u> - units -	<u>Less Exports</u> -	<u>Apparent Market</u>
Outboard	11,062	949	350	11,661
Inboard/Outboard and Inboard	1,307	509	3	1,813
<u>Total</u>	12,369	1,458	353	13,474
- unit value (\$)				
Outboard	697	915	463	721
Inboard/Outboard and Inboard	3,688	2,603	2,694	3,385
<u>Total</u>	1,013	1,504	482	1,080
- total value (\$'000)				
Outboard	7,706.6	868.3	162.1	8,412.8
Inboard/Outboard and Inboard	4,819.7	1,324.8	8.1	6,136.5
<u>Total</u>	12,526.3	2,193.2	170.2	14,549.3

Source: Based on Tariff Board Industry Survey, Tariff Board Import Analysis, and Statistics Canada data

The FRP runabout market, in dollar terms, in 1971, was divided by design types as follows: 58 per cent outboard, 41 per cent inboard/outboard and less than 1 per cent "straight" inboard. With the increasing popularity of inboard/outboards, the Canadian market at present is probably equally divided between outboards and inboard/outboards. On the basis of number of boats, outboard sales are still more important; they enjoyed 86.5 per cent of the total market in 1971 (See Table 5.6).

Canadian FRP runabout producers export only a small proportion of their production of both outboards and inboard/outboards - in fact, exports were negligible for the latter in 1971 - and hence Canadian producers are dependent almost entirely on the domestic market. Import competition was most severe in the case of I/Os, taking 20 per cent by value, and 28 per cent by number, of the Canadian market for this type of craft. The corresponding figures for outboards in 1971 were 10 per cent and 8 per cent. Most imports are from the United States, generally from states bordering the main Canadian pleasure craft markets.

Although there is currently some domestic production, and imports, of FRP runabouts with inboard motors, the market for such craft is negligible. The inboard/outboard design, compared to the inboard runabout, is much preferred by the pleasure craft buyer. There is no Canadian producer specializing in inboard/outboard models; all manufacturers in Canada producing inboard/outboards also produce other types of pleasure craft. Larger runabout boats are frequently made to take either an outboard or an inboard/outboard motor.

According to the Board's survey of the industry, there were thirty-seven establishments making FRP runabouts in Canada in 1971. Some establishments, making only a few units annually, may not be included in this total. The largest Canadian FRP runabout manufacturers were:

Canadian Boat Mfg. Ltd., Princeville, Quebec⁽¹⁾
 Canadian Fiberform Ltd., Kelowna, British Columbia
 Canbar Marine Company, Division of Canada Barrels and Kegs Ltd.,
 Waterloo, Ontario
 Chrysler Canada Outboard Ltd., Barrie, Ontario
 Grew Limited, Penetanguishene, Ontario
 Hourston Glascraft Limited, Vancouver, British Columbia
 K & C Thermoglass Ltd., Richmond, British Columbia
 Kildonan Canoe Co., Winnipeg, Manitoba

Chrysler Canada and Canadian Fiberform are United States-owned companies. The market for FRP runabouts appears to be a highly competitive one with no one company or group of producers, even the above eight, having a predominant share of the market.

The more important United States companies exporting FRP outboards to Canada in 1971 were:

Glastron Boat Co., Austin, Texas
 Larson Industries Inc., Little Falls, Minnesota
 Starcraft Corporation, Goshen, Indiana

Major exporters of FRP inboard/outboards to Canada in 1971 were:

Larson Industries Inc., Little Falls, Minnesota
 Reinell Boats Inc., Marysville, Washington
 Sea Ray Boats, Oxford, Michigan

The market for aluminum runabouts is a minor one. At manufacturers' price level, sales are estimated at \$1.5 million in 1971. Aluminum runabout sales thus comprise only 3.6 per cent of the pleasure craft market. Aluminum runabouts of the outboard design represented 85 per cent of the total aluminum runabout market in 1971. The remaining 15 per cent comprised inboard/outboards. According to information given to the Board, there were no exports of aluminum runabouts in 1971.

The domestic market for aluminum runabouts is a small one and appears to be particularly exposed to competition from the United States. Imports from the United States, estimated at \$890,000 in 1971, constituted some 60 per cent of this market. In that year, one company, Starcraft Corporation of Goshen, Indiana, accounted for almost all of the outboard and inboard/outboard aluminum runabouts entered into Canada.

(1) Acquired by Aluminum Goods Division of Alcan, in 1974

Table 5.7: Estimated Domestic Market for Aluminum Runabouts
by Number and Value, 1971

<u>Design Type</u>	<u>Domestic Shipments</u>	<u>Plus Imports</u> - units -	<u>Less Exports</u>	<u>Apparent Market</u>
Outboard	1,020	968	-	1,988
Inboard/Outboard and Inboard	X	X	-	161
<u>Total</u>	X	X	-	2,149
- unit values (\$)				
Outboard	580	711	-	644
Inboard/Outboard and Inboard	X	X	-	1,414
<u>Total</u>	X	X	-	702
- total value (\$'000)				
Outboard	591.5	688.6	-	1,280.1
Inboard/Outboard and Inboard	X	X	-	227.7
<u>Total</u>	X	X	-	1,507.8

Source: Based on Tariff Board Industry Survey, Tariff Board Import Analysis and Statistics Canada data

NOTE: X - Signifies data omitted for reasons of confidentiality

Only four companies were identified as producing aluminum runabouts in Canada in 1971:

Aluminum Goods Division of Alcan Canada Products Ltd., Toronto, Ontario
Aroline Boat Co. Ltd., St. Boniface, Manitoba
Canadian Boat Mfg. Ltd., Princeville, Quebec⁽¹⁾
Canbar Marine Company, Division of Canada Barrels and Kegs Ltd.,
Waterloo, Ontario

In this market, as in the market for aluminum utility craft, domestic production is limited to only a few producers. This is in contrast to the FRP market where production is spread over a much greater number of manufacturers.

Lastly, the market for runabouts of wood construction in 1971, as presented in summary Table 5.8, was calculated at about \$376,000, at manufacturers' level. According to information tabulated by the Board there were only seven establishments in Canada making

(1) Acquired by Aluminum Goods Division of Alcan, in 1974

runabouts of wood in 1971. Greavette Boat Corporation, Gravenhurst, Ontario and B. Giesler and Son, Powassan, Ontario, are the more important of these producers. Establishment size is relatively small and most work is on a custom basis. No imports or exports of wooden runabouts occurred in 1971, so that domestic production constituted the market. Although wooden runabouts designed for both inboard and inboard/outboard power were constructed in 1971, most of the boats shipped were the outboard type.

Table 5.8: Estimated Distribution of the Domestic Market
for Runabout Boats, by Construction Material, 1971

<u>Construction Material</u>	<u>Domestic Shipments</u>	<u>Plus Imports</u> - units -	<u>Less Exports</u>	<u>Apparent Market</u>
Aluminum	1,030	1,119	-	2,149
Fibreglass	12,369	1,458	353	13,474
Wood	592	-	-	592
<u>Total</u>	13,991	2,577	353	16,215
- unit values (\$) -				
Aluminum	600	795	-	702
Fibreglass	1,013	1,504	482	1,080
Wood	635	-	-	635
<u>Total</u>	966	1,196	482	1,013
- total value (\$'000) -				
Aluminum	618.2	889.7	-	1,507.8
Fibreglass	12,526.3	2,193.2	170.2	14,549.3
Wood	375.7	-	-	375.7
<u>Total</u>	13,520.2	3,082.8	170.2	16,432.9

Source: Based on Tariff Board Industry Survey, Tariff Board Import Analysis, and Statistics Canada data

The Market for Sail-Boats

The Board estimates that the Canadian market for sailcraft⁽¹⁾ was \$7.9 million, at manufacturers' prices, comprising about 19 per cent of the total pleasure craft market. This market was in 1971, and probably is even more so today, almost entirely a fibreglass sail-boat market. The share held by wooden sail-boats, wood surfaced with fibreglass and aluminum sail-boats, combined, was less than 5 per cent, in 1971. Imports of all sail-boats totalled \$1.2 million in 1971 and supplied 15.3 per cent of the Canadian market, a level of import penetration not unlike that encountered in the runabout market, 19 per

(1) Sales of multihull sailcraft (catamarans, trimarans, etc.) are included under "other" pleasure craft.

cent, and the utility market, 17 per cent; thus domestic producers of sail-boats hold roughly the same proportion of the domestic market as these other pleasure craft producers. A major difference, however, is that the sailcraft industry is export-oriented, actually exporting more than it sells in Canada; in 1971, 54 per cent of sailcraft production was exported and produced an export surplus of \$6.8 million.

Table 5.9: Estimates of the Apparent Market, Imports and Exports, Monohull Sail-Boats, 1971

	<u>Domestic Shipments</u>	<u>Plus Imports</u>	<u>Less Exports</u> (a)	<u>Apparent Market</u>
Units	4,492	2,254	1,721	5,025
Unit Value (\$)	3,279	539	4,651	1,580
<u>Total Value</u> (\$'000)	14,729.6	1,214.4	8,004.3	7,939.7

(a) Includes re-exports

Source: Based on Tariff Board Industry Survey, Tariff Board Import Analysis, and Statistics Canada data

Table 5.9 presents volume and value data for all monohull sailcraft. Further breakdowns are precluded for reasons of confidentiality. As can be seen, there is a significant difference in the average unit value of imports, \$539, shown in the table, versus the average unit value of exports, \$4,651.

Non-auxiliary sailcraft comprised \$4.8 million, or 60 per cent, of the total sailcraft market in 1971.⁽¹⁾ Sailcraft with auxiliary power accounted for the remaining \$3.1 million. Import penetration was somewhat greater in 1971 for auxiliary than for non-auxiliary sail-boats: 18.0 per cent versus 13.5 per cent. At the same time, exports of auxiliary sail-boats were much greater: in 1971 Canadian sailcraft producers exported 70 per cent of their production of auxiliary sailcraft while they exported 34 per cent of their output of non-auxiliary sailcraft.

For larger cruising sail-boats having auxiliary inboard power, the Board collected some data according to size of boat. The market for cruising sail-boats seems to start at the 26-foot length. There are only a few sales of auxiliary-powered sail-boats of less than 25 feet, presumably because full inboard power is not called for in

(1) As explained in Chapter III, auxiliary power refers to inboard engines. Units constructed for use with an outboard motor are classified as non-auxiliary sailcraft.

sailcraft below this length. Sail-boats in the 26- to 30-foot range constitute approximately 55 per cent of the auxiliary sail-boat market of \$3.1 million, at factory level, those in the 31- to 40-foot range 35 per cent, and those exceeding 40 feet in length 5 per cent. For auxiliary sailcraft, the greatest proportion of domestic shipments, imports, and exports all occur in sail-boats of the 26- to 30-foot range. The large sail-boats made in Canada (41 feet and over) are almost all exported.

The market for non-auxiliary craft is divided almost equally between non-ballasted and ballasted sail-boats: in 1971, 47 per cent and 53 per cent, respectively (See Table 5.10). The domestic market for either kind of sail-boat was in 1971 supplied mostly by Canadian manufacturers, although foreign suppliers did have a substantial share of the non-ballasted market in that year, 19.8 per cent. Imports accounted for 7.8 per cent only of the Canadian market for ballasted craft. Both segments of the Canadian non-auxiliary sail-boat sector ship around a third of their output abroad, mostly to the United States.

Sail-boards are included in the non-ballasted sail-boat category. Despite the popularity of this product in the United States, data compiled by the Board indicate that there is only a very small domestic market for sail-boards, either on a quantity or value basis. Only a few sail-boards are made in Canada and only a small quantity are imported.

Import competition seems to be a factor mainly in the Canadian market for smaller and inexpensive non-ballasted sailcraft. Snark Products Inc., Costa Mesa, California, and Jean Morin S.A., France, are two of the more important exporters to Canada of non-ballasted sail-boats. Snark Products sells in Canada a line of small sail-boats made of non-reinforced plastic, either expanded polystyrene or a plastic termed "Corlite". These are low-priced sail-boats, some as small as 11 feet in length, retailing for as little as \$130. There appears to be no manufacture of non-reinforced plastic sail-boats in Canada.

Table 5.10: Estimated Distribution of the Domestic Market for Non-Auxiliary Sail-Boats, by Ballast Type, 1971

<u>Ballast Type</u>	<u>Domestic Shipments</u> \$'000	<u>Plus Imports</u> \$'000	<u>Less Exports</u> (a) \$'000	<u>Apparent Market</u> \$'000
Non-ballasted	2,753	450	933	2,269
Ballasted	<u>3,510</u>	<u>198</u>	<u>1,185</u>	<u>2,523</u>
Total Non-auxiliary Sailcraft	6,263	648	2,118	4,792

(a) Includes re-exports

Source: Based on Tariff Board Industry Survey, Tariff Board Import Analysis, and Statistics Canada data

There were forty-three Canadian manufacturers who, according to Board tabulations, participated in 1971 in the sailcraft market. Of these, twenty constructed auxiliary-powered sailcraft and thirty-four produced non-auxiliary sailcraft. Nine specialized in auxiliary sail-boats and twenty-three in non-auxiliary sail-boats; eleven establishments produced both kinds of sailcraft. FRP sail-boat construction, accounting for 95 per cent of total sail-boat construction in 1971, is heavily concentrated in a small number of large producers. This contrasts with other FRP pleasure craft production which is spread over a large number of producers. Six major firms are dominant in sail-boat manufacturing; with the exception of Hughes, all are Canadian-owned:

C & C Yachts Manufacturing Ltd., Niagara-on-the-Lake, Ontario
 Grampian Marine Ltd., Oakville, Ontario
 Hughes Boat Works Ltd., Huron Park, Ontario
 Paceship Yachts Limited, Mahone Bay, Nova Scotia (1)
 Tanzer Industries Ltd., Dorion, Quebec
 Whitby Boat Works Ltd., Ajax, Ontario

These six firms produced 70 per cent of all sail-boats manufactured in Canada in 1971, and accounted for 83 per cent of the value of all sail-boat exports. The same six firms are even more dominant in auxiliary-powered sailcraft, producing 85 per cent of total production and exporting the same percentage of total exports of these craft. Non-auxiliary sail-boat production is somewhat less concentrated; the six largest firms having, in 1971, about half of total production. However, they were by far the largest exporters.

The sail-boat industry in Canada is composed, therefore, of a relatively small number of companies the largest of which are very export-oriented. With the exception of Tanzer Industries, which constructed only non-auxiliary craft, these six major participants produce a line of auxiliary and non-auxiliary sailcraft of various lengths. In most cases the product line consists of both ballasted and non-ballasted (centre-board) boats. One firm in particular has a dominant position among domestic sailcraft producers. This company, C & C Yachts, of Niagara-on-the-Lake, was formed in 1969 subsequent to the merger of several yacht manufacturers and a firm of yacht designers.(2) According to this company's published annual report, sales at factory level in fiscal 1972 were \$6.9 million, with three quarters of production being exported.

C & C Yachts is currently constructing a 50,000 square foot plant in Newport, Rhode Island.(3) It is expected that this new plant will go into full production of sail-boats in early 1976. The company decided

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- (1) This company was acquired in 1975 by American Metal and Foundry (AMF) Incorporated, of the United States and has terminated the production of pleasure craft at this plant.
- (2) Cuthbertson and Cassian Ltd. were the designers; the manufacturers were Belleville Marine Yards Limited, Bruckmann Manufacturing Limited, and Hinterhoeller Ltd.
- (3) The site acquired by the company can permit a doubling of this plant to 100,000 square feet.

to build a new plant because its present site and plant in Niagara-on-the-Lake are being used to full capacity. According to information submitted to the Board, the location in the United States was chosen for a number of reasons. One reason was Newport provided an adequate supply of labour, trained to the requirements of the industry, at a cost per hour (including social security contributions and fringe benefits) below that, at present, paid in Niagara-on-the-Lake. Cheaper raw materials were another factor. Distribution or marketing costs would also be lower for the United States plant, since the company will avoid the 2 per cent or 5 per cent duty on its exports from Canada, and will incur lower transportation costs because of the new plant's proximity to the company's main United States market. A plant in the United States also would provide the company with a possibility of supplying that market from a United States location, in the case of United States Government regulations which would affect pleasure craft made in Canada for export to that country.

The company is likely to supply part of its requirements for the United States market from the Newport plant and part from its Canadian plant. It would seem, as the Canadian sail-boat market and C & C's Canadian sales continue to grow, that the Canadian plant will become more and more domestically oriented, and that the United States market will be supplied increasingly from the United States plant.

The Market for Power Cruisers

The market for power cruisers in 1971 was estimated at \$7.4 million, at manufacturers' level. Foreign producers supplied \$3.7 million, or half, of that market. Canadian power cruiser manufacturers exported \$2.9 million or 43.7 per cent of total factory shipments of \$6.7 million. From estimates prepared by the Board, some 660 power cruisers were sold in Canada in 1971. Based on an apparent market of \$7.4 million, the average unit value derived is approximately \$11,300.

There is a large market in Canada for used power cruisers. They account for about 25 per cent of all power cruiser imports, in terms of both value and number of cruisers.

The power cruisers built in Canada range greatly in size and cost. Smaller cruisers retail in the \$10,000 to \$15,000 price range whereas large luxury motor yachts may cost between \$100,000 and \$150,000, depending on options included. Imported power cruisers also range from \$8,000 to \$150,000. FRP power cruisers comprise 75 to 80 per cent of domestic shipments. Cruisers made of wood, or of wood covered with fibreglass, account for the rest of production, with the exception of a very few cruisers made of steel.

According to information compiled by the Board, there were twenty-five establishments in Canada constructing power cruisers in 1971. The nature of these establishments varies a good deal. Two companies, constructing FRP cruisers on a production basis, account for a very large share of domestic cruiser shipments. These two companies are Shepherd Boats, Ltd., Niagara-on-the-Lake, Ontario and Canoe Cove Marina Ltd., Sidney, British Columbia. Most of the other participants are small volume custom builders, many of which construct

only one or two units annually. For example, of the twenty-five establishments referred to, twelve constructed, in 1971, three or fewer power cruisers. A few, such as Canadian Boat Mfg. Ltd., Princeville, Quebec and Canadian Fiberform Ltd., Kelowna, British Columbia, are basically runabout producers making a smaller power cruiser, of less than 25 feet, as a top-of-the-line model.

The construction of power cruisers appears in most cases to necessitate on-the-water facilities. This is in contrast to the production of smaller pleasure craft which usually takes place in manufacturing areas close to population centres. Most of the twenty-five establishments in this market combine boat-building with other related marine activities such as operating a marina or a boat-works. A number of the smaller custom builders appear to be engaged in commercial boat-building, as well as commercial service and repair, and build pleasure craft only on a sporadic basis. Although in British Columbia the seasonality of pleasure boating is less pronounced, the boat-works/marina type of operation tends to be very seasonal, with greatly reduced activity in the winter months. While some smaller boat-builders occasionally build larger sail-boats as well as power cruisers, the two major domestic companies in this market produce power cruisers only.

According to the Board's survey of imports, cruiser imports by material of construction are as follows⁽¹⁾: FRP, 85 per cent; wood, 12 per cent; aluminum, 3 per cent. According to information submitted to the Board, there was no domestic production of power cruisers made of aluminum in 1971.⁽²⁾ All of the aluminum power cruisers imported were 25 feet or less in length. Starcraft Corporation, located in Goshen, Indiana, some 400 miles from Toronto, is the major exporter into Canada of aluminum cruisers of this size.

Power cruiser imports in 1971 of \$3.7 million were somewhat higher than exports of \$2.9 million. A large part of this two-way trade is a result of arrangements made between Shepherd Boats and an associated company, Trojan Yacht of Lancaster, Pennsylvania, to rationalize production (See Chapter VIII). Trojan Yacht is a major exporter into Canada of power cruisers, and Shepherd Boats, as an affiliated company, accounts for a large share of Canada's power cruiser exports. Chris-Craft Corporation, with headquarters in Pompano Beach, Florida, is also a principal exporter to Canada of power cruisers. This company, a major

(1) A significant proportion (21 per cent) of imports of power cruisers could not be classified as to material of construction. Cruiser imports of unidentified material were excluded from the percentages given.

(2) One company, Alwest Marine Division of Cooper Boats Ltd., Winnipeg, Manitoba, produced 37-foot aluminum houseboats termed "house cruisers" before it ceased pleasure craft production in 1974. These boats incorporated the interior and superstructure of a houseboat with a power cruiser hull. The products of this company are included as houseboats under the category of "other" pleasure craft because information from this company was received after completion of the Board's market study. The house cruisers built by Alwest Marine are perhaps more properly included under the power cruiser category.

United States pleasure craft manufacturer, formerly operated a subsidiary in Canada. While this company set up a specially-designed plant for cruiser production in Stratford, Ontario, in 1964, it was closed down in 1970, along with a large plant in Michigan. It is believed that Chris-Craft's Canadian operation was terminated as a result of a general re-organization following a 1968 merger between Chris-Craft and Baldwin Montrose Chemical Company, Indiana.

The Market for Other Types of Pleasure Craft

Included as other pleasure craft are houseboats, pedal-boats (pedalos), inflatables, and multihull sailcraft, as well as kayaks, racing-shells and sea-scooters. With the exception of inflatables⁽¹⁾, all of these types of pleasure craft are produced domestically. Small amounts are also imported. Boat kits, pontoon-boats, and folding boats are also included in imports, and hence in the domestic market for other types of pleasure craft. Some of the larger domestic pleasure craft manufacturers included under this "other" category are:

Alloy Manufacturing Ltd., Lachine, Quebec
 Alwest Marine Division of Cooper Boats Ltd., Winnipeg, Manitoba⁽²⁾
 Eskay Plastics Ltd., Fabreville, Quebec
 Sea-Cycle Products Inc., Ville de Laval, Quebec

Alwest Marine and Alloy Manufacturing are houseboat-builders, with Alwest formerly producing "house cruisers"; Eskay Plastics and Sea-Cycle Products construct pedal-boats.

The market for the above types of pleasure craft is estimated at \$2.4 million, at manufacturers' prices, in 1971. The important groups in this category are houseboats, inflatables, pedal-boats, and multihull sailcraft. By value, houseboat sales comprise an estimated 30 per cent of the \$2.4 million, with a further one third comprising sales of inflatables. Sales of pedal-boats and catamarans account for most of the remaining market. Both houseboats and pedal-boats are exported by Canadian manufacturers and account for most of the exports of \$666,000 shown in Table 5.11. Very few houseboats or pedalos are imported. Imports of "other" craft, estimated at \$1.1 million, are composed for 70 per cent of inflatables; a large number of these inflatables are in fact toys and this explains the low unit value of imports in Table 5.11. There appears to be only a minor domestic market for multihull sailing craft, primarily small catamarans.

(1) As reported to the Board, there is only one company producing inflatable craft in Canada: Tul Safety Equipment, Montreal, Quebec. The volume produced is believed to be relatively small.

(2) Alwest Marine ceased pleasure craft production in 1974.

Table 5.11: Estimates of the Market for "Other" Types of Pleasure Craft^(a), 1971

	<u>Domestic Shipments</u>	<u>Plus Imports</u> ^(b)	<u>Less Exports</u>	<u>Apparent Market</u>
Units	3,273	52,335	1,886	53,722
Unit Value (\$)	593	21	353	44
Value (\$'000)	1,939	1,099	666	2,372

(a) Includes houseboats, pedal-boats (pedalos), inflatables, multihull sailcraft, kayaks, racing-shells and sea-scooters

(b) Includes large numbers of small inflatable watercraft, many of which are toys. Descriptive information available for imports did not permit such toy items to be segregated from pleasure craft.

Source: Tariff Board Industry Survey, Tariff Board Import Analysis, and Statistics Canada data

The Market for Used Pleasure Craft

Although there are no statistics available indicating the extent of used, or second-hand, pleasure craft sales either in Canada or in the United States, such sales are believed to be significant relative to the sales of new equipment. Used pleasure boats, as well as motors and trailers, may be purchased or sold privately, usually through local newspaper advertising, and are frequently bought or sold through boat dealers or yacht brokers.

Smaller pleasure craft, canoes and utilities, appear to be bought and sold second-hand largely on a private basis, and compared to runabout models, are probably infrequently traded. "Trading up" into larger, better appointed, or more recent models is, on the other hand, quite common among owners of runabouts, and is in large part done through existing boat dealers. Many dealers, as in the automobile industry, will accommodate trades of this nature, granting "trade-in" allowances on a used boat which is credited towards the purchase price of a new boat. Boat dealers therefore stock and market both new and used pleasure craft.

There is evidently also a large market for used power cruisers. As noted earlier, in terms of both dollar value and units, about 25 per cent of all power cruiser imports consisted of purchases of second-hand boats. Second-hand sales of such larger craft, and also of auxiliary sail-boats, and houseboats, are normally handled through yacht brokers. Many of the large marinas in Canada are reported as doing a substantial business in yacht brokerage. A marina or other yacht broker performs, in these instances, a brokerage function only, in return for a certain percentage of the sale price. In contrast, a boat dealer accepting a used boat as a trade-in assumes ownership and may often have significant inventory costs as a result.

The supply of used boats available on the market may provide an attractive alternative to the purchase of a new boat, particularly in a period of rising prices or when economic conditions make prospective boat buyers uncertain about future earnings. A five-year old FRP hull, for example, if it has been adequately maintained, will show little deterioration compared to its original state; deck hardware, and motor and engine parts, are usually easily replaceable. The growing stock of used pleasure boats, offered for sale, may be presumed to compete substantially with the market for new pleasure craft. Thus, as noted earlier, a growing supply of second-hand boats for sale is a factor tending to limit the longer-term growth of the pleasure craft market.

REGIONAL ASPECTS OF THE DOMESTIC MARKET FOR PLEASURE CRAFT

From its industry survey and from its analysis of imports, the Board was also able to estimate the market for pleasure craft for each of the five regions: the Atlantic Provinces, Quebec, Ontario, the Prairie Provinces and British Columbia. Furthermore, each regional market was subdivided into the six principal product groups: canoes, utilities, runabouts, sail-boats, power cruisers, and other pleasure craft.

The market for pleasure craft by region is derived as follows: exports abroad and sales made in other regions are deducted from each region's shipments; to this figure are added the imports (from abroad) into the region and its purchases from producers in other regions. The estimates presented are believed to be reasonably accurate, especially as regards market estimates based on value; the main probability of error is in the estimates of interregional trade.

The Principal Regional Markets

Table 5.12 indicates where the main pleasure craft markets are situated regionally.

Table 5.12: Estimates of the Market for Pleasure Craft, by Region, at Manufacturers' Prices, 1971

	<u>Market</u>		<u>Population</u>	<u>Personal</u>
	\$'000	%	<u>Distribution</u>	<u>Income</u>
			%	%
Atlantic	1,608	4	9.5	6.9
Quebec	5,660	13	27.9	24.9
Ontario	19,618	46	35.7	41.6
Prairies	3,707	9	16.4	15.4
British Columbia (a)	11,737	28	10.3	11.3
Canada	42,330	100	100.0	100.0

(a) Market figures for the Yukon and the Northwest Territories are negligible and are included with the British Columbia total.

Source: Derived from Tariff Board Industry Survey, Tariff Board Import Analysis, and Statistics Canada data

Ontario is the leading market area for pleasure craft in Canada, with British Columbia a rather distant second. On a value basis, almost three fourths of all domestic pleasure craft sales occur in these two provinces. The table above also permits a comparison of the distribution of pleasure craft sales with that of population and personal income. In both British Columbia and Ontario, the market for pleasure craft is larger than would be expected from their shares of population and of income. For example, British Columbia, with 10 per cent of Canada's population and 11 per cent of personal income, accounts for 28 per cent of pleasure craft sales. On the other hand, the size of the pleasure craft markets in the Atlantic Provinces, Quebec, and the Prairie Provinces, is significantly less than would be expected from their respective shares of both population and personal income. This is particularly evident with respect to Quebec.

Table 5.13 presents a further breakdown of the value of the regional markets by principal product groups.

Table 5.13: Estimates of the Value of the Market for Pleasure Craft, by Region and by Product Group, 1971

Product Group	Atlantic Provinces \$'000	Quebec \$'000	Ontario \$'000	Prairie Provinces \$'000	British Columbia (a) \$'000	Canada \$'000
Canoes	96	503	1,450	358	441	2,849
Utility	265	958	1,964	848	911	4,946
Runabouts	430	1,819	8,041	1,974	4,170	16,433
Sail-boats	538	945	4,741	378	1,338	7,940
Power						
Cruisers	224	701	2,334	30	4,157	7,446
Other(b)	53	626	986	100	607	2,372
Not Identified(c)	1	107	103	19	113	344
<u>Total</u>	1,608	5,660	19,618	3,707	11,737	42,330
	- per cent -					
Canoes	3.4	17.7	50.9	12.6	15.5	100.0
Utility	5.4	19.4	39.7	17.2	18.4	100.0
Runabouts	2.6	11.1	48.9	12.0	25.4	100.0
Sail-boats	6.8	11.9	59.7	4.8	16.9	100.0
Power Cruisers	3.0	9.4	31.3	0.4	55.8	100.0
Other(b)	2.2	26.4	41.5	4.2	25.6	100.0
Not Identified(c)	0.3	31.2	30.1	5.5	32.9	100.0
<u>Total</u>	3.8	13.4	46.4	8.8	27.7	100.0

(a) Includes a very few sales of canoes and utilities in the Yukon and the Northwest Territories

(b) Includes mainly houseboats, catamarans, inflatables, and pedalos

(c) Only the import component of these figures is unidentified.

Source: Based on Tariff Board Industry Survey, Tariff Board Import Analysis, and Statistics Canada data

A number of observations can be made concerning differences in regional markets. While Ontario, for example, accounts for an estimated 46 per cent of all pleasure craft sales, it accounts for 60 per cent of the market for sail-boats. The Ontario market is also strong in canoes and runabouts. Relative to Ontario's 46 per cent over-all market share, the market for power cruisers in this province is a modest one. In power cruiser sales, British Columbia, and not Ontario, dominates. British Columbia is, conversely, a somewhat weak market for utilities, canoes, and sail-boats relative to this province's 28 per cent share of total domestic pleasure craft sales. The market for power cruisers in the Prairie Provinces is, as might be anticipated, negligible; on a percentage basis, utility-type craft predominate in this area. In Quebec, also, there is a strong market for utility craft. In the Atlantic Provinces, where only 4 per cent of all Canadian pleasure craft sales are made, the sail-boat market appears to be, proportionately, the main product group.

Table 5.14 displays the market data of the previous table on a slightly different basis. The percentages shown below relate the product group of each region to the total regional market and present a regional market profile which may be compared to the Canadian average.

Table 5.14: Estimates of the Value of the Market for Pleasure Craft, Within Regions, by Product Group, 1971

<u>Product Group</u>	<u>Atlantic</u> <u>Provinces</u>	<u>Quebec</u>	<u>Ontario</u>	<u>Prairie</u> <u>Provinces</u>	<u>British</u> <u>Columbia</u>	<u>Canada</u>
		-	per cent	-		
Canoes	6.0	8.9	7.4	9.7	3.8	6.7
Utility	16.5	16.9	10.0	22.9	7.8	11.7
Runabouts	26.7	32.1	41.0	53.2	35.5	38.8
Sail-boats	33.5	16.7	24.2	10.2	11.4	18.8
Power Cruisers	13.9	12.4	11.9	0.8	35.4	17.6
Other	3.3	11.1	5.0	2.7	5.2	5.6
Not Identified	0.1	1.9	0.5	0.5	1.0	0.8
<u>Total</u>	100.0	100.0	100.0	100.0	100.0	100.0

Source: Tariff Board Industry Survey, Tariff Board Import Analysis, and Statistics Canada data

The table illustrates again that, compared to the national average, power cruiser sales comprise an unusually large share of the British Columbia pleasure craft market. Similarly, the Prairie Provinces' market for pleasure craft is composed basically of runabouts and utility-boats, with sales of other types of pleasure craft being small. The table again illustrates the importance of sailing in the Atlantic Provinces.

Finally, Table 5.15 exhibits the Board's regional market breakdown on the basis of the number of boats sold. As noted above, these market estimates are rather less dependable than estimates based on value.

Table 5.15: Estimates of the Market for Pleasure Craft, by Region and by Number of Units Within Product Groups, 1971

Product Group	Atlantic Provinces	Quebec	Ontario - Number	Prairie Provinces -	British Columbia (a)	Canada
Canoes	730	3,148	11,145	2,694	2,687	20,404
Utilities	1,664	6,256	11,788	4,305	5,705	29,718
Runabouts	586	2,324	7,509	2,444	3,352	16,215
Sail-boats	127	918	3,279	368	333	5,025
Power Cruisers	14	45	309	7	283	658
Other (b)	147	15,763	21,315	561	15,936	53,722
Not Iden- tified(c)	4	1,417	226	24	755	2,425
<u>Total</u>	3,272	29,871	55,570	10,403	29,051	128,167
- per cent -						
Canoes	3.6	15.4	54.6	13.2	13.2	100.0
Utilities	5.6	21.1	39.7	14.5	19.2	100.0
Runabouts	3.6	14.3	46.3	15.1	20.7	100.0
Sail-boats	2.5	18.3	65.3	7.3	6.6	100.0
Power Cruisers	2.1	6.8	47.0	1.1	43.0	100.0
Other (b)	0.3	29.3	39.7	1.0	29.7	100.0
Not Iden- tified(c)	0.2	58.4	9.3	1.0	31.1	100.0
<u>Total</u>	2.6	23.3	43.4	8.1	22.7	100.0

(a) Includes a very few sales of canoes and utility-boats in the Yukon and the Northwest Territories

(b) Includes mainly houseboats, catamarans, inflatables, and pedalos

(c) Only the import component of these figures is unidentified.

Source: Based on Tariff Board Industry Survey, Tariff Board Import Analysis, and Statistics Canada data

While the percentages displayed are essentially similar, in most instances, to those given in Table 5.13, there are noteworthy differences. Quebec, for example, may be characterized as a market for small, lower-priced boats; British Columbia, on the other hand, is a market for larger, more expensive, boats. While Quebec, on a value basis, accounts for 13 per cent of Canada's pleasure craft sales, this province's market share is much higher, at 23 per cent, on a quantity basis.

Trade Patterns by Region

Data compiled by the Board also make possible an examination of interregional trade patterns within Canada and the position of the regions in terms of international trade. The figures below reveal what regions are, on balance, surplus or deficit areas with respect to both interregional and international trade in pleasure craft.

Table 5.16: Estimates of the Balances of Interregional and International Trade in Pleasure Craft, by Region, 1971

Region	Net Inter-regional Trade	Net Inter-national Trade	Total
	Surplus or (Deficit)	Surplus or (Deficit)	Surplus or (Deficit)
		- \$'000 -	
Atlantic Provinces	(67)	346	279
Quebec	2,029	262	2,291
Ontario	81	4,421	4,502
Prairie Provinces	(887)	(772)	(1,659)
British Columbia ^(a)	(1,156)	(2,268)	(3,424)
Canada	0	1,989	1,989

(a) Includes a very few sales of canoes and utility-boats in the Yukon and the Northwest Territories

Source: Based on Tariff Board Industry Survey, Tariff Board Import Analysis, and Statistics Canada data

With reference to trade within Canada, the Prairie Provinces and British Columbia are deficit trading regions in the sense that their pleasure craft sales to other provinces and regions are less than their purchases from other provinces and regions. The pleasure craft industry in the Prairies, while expanding more recently, did not market much of its production to other domestic regions in 1971. Ontario and Quebec producers of utility craft, on the other hand, have a large share of the Prairies' market. Many runabouts and canoes are also sold in the Prairie Provinces by Ontario and Quebec companies. British Columbia is, similarly, in a deficit position in interprovincial trade. Some of this province's larger companies, producing runabouts, sell to other domestic markets. On balance these outward shipments are less than shipments into British Columbia by pleasure craft companies which are situated mostly in Ontario and Quebec and which make chiefly sail-boats and utility craft. It is concluded that trade in pleasure craft moves from central Canada to the west. Although the trade in pleasure craft between the Atlantic Provinces and central Canada is generally mixed with no marked features, there appears to be a tendency for Quebec to sell on the Ontario market, while Ontario's pleasure craft industry is largely export-oriented especially as regards sail-boats and power cruisers.

It is interesting to note from Table 5.16 that with the exception of the Atlantic Provinces, the net trading position of the regions is the same as regards interregional and international trade.

FACTORS DETERMINING THE MARKET FOR PLEASURE CRAFT

The market for pleasure craft in Canada expanded faster during the decades of the fifties and sixties than both the GNP and the market for consumer durables. The growth rates in Table 5.17 illustrate this. In particular, they illustrate the fact that the pleasure craft market expanded rapidly, even in periods when the market for all durable goods was increasing at a much slower rate.

Table 5.17: Average Annual Growth Rates^(a), Market for
Pleasure Craft, Selected Comparisons, 1950-1974

<u>Period</u>	<u>Apparent Domestic Disappearance of Pleasure Craft</u>	<u>GNP at Market Prices</u> - per cent -	<u>Personal Expenditure on Durable Goods at Market Prices</u>
1951-1955	13.0	9.1	9.1
1956-1960	23.9	6.1	5.8
1951-1960	18.3	7.6	7.5
1961-1965	10.5	7.6	9.5
1966-1970	9.6	9.1	6.0
1961-1970	10.0	8.3	7.7
1971	21.6	9.3	14.4
1972	29.0	10.8	16.5
1973	..	14.9	18.3
1974	..	17.3	13.0

(a) Nominal rates, not adjusted for price change

Source: Derived from Statistics Canada data

A number of factors govern the growth of the pleasure craft market and, indeed, of the whole market for recreational durables: they include the growth in disposable income; population growth and the changing age composition of the population; competition as between various recreational goods and services; more leisure time resulting from shorter and more flexible hours of work, longer paid-vacations and earlier retirement; and the desire for outdoor recreation, especially on the part of urban dwellers.

The most important factor, real disposable income per capita, is expected to grow, in real terms, at just over 4 per cent per annum for the period, 1970-1980.⁽¹⁾ The population increase for 1970 to 1980 is forecast at 1.6 per cent annually⁽²⁾ and the percentage of population in the age group, fifteen to sixty-four, is expected to increase from 61.9 per cent of population to 66.2 per cent, in the same period. These forecasts, coupled with increasing opportunities for leisure, are encouraging for the continuing expansion of the recreational goods market. Further quantitative research by the Economic Council suggests that spending on recreational durables was expected to be one of the fastest-growing components of total consumer expenditure with a 6.4 per cent average annual increase in real terms forecasted for the years, 1970-1980. Only the demand for goods and services included in "transport and communications" (automobiles and motor cycles are major items in this group) was expected to have a somewhat greater real growth rate over the 1970-1980 period (6.6 per cent annually).

(1) Assuming "a setting of strong external and government growth"; Ninth Annual Review, Economic Council of Canada, 1972, p.33.

(2) Op. cit. This rate is employed as a "critical assumption" by the Economic Council in forecasting to 1980.

While data are not yet available, it is likely that a 4 per cent per annum growth in real disposable per capita income and a 6.4 per cent per annum real increase in consumer spending on recreational durables was achieved during the early seventies. As for the balance of the seventies, however, the more recent dramatic price increases, e.g., in food, fuel, and energy prices, were quite clearly more severe than anticipated.

One of many consequences, that can reasonably be expected, is a shift in the division of real personal income between non-discretionary spending on essentials, such as food, shelter, utilities and transportation, and discretionary spending, e.g., on vacations, recreation and entertainment. Consequently, the growth in consumer spending on recreational durables can be expected to be adversely affected.

According to the Economic Council, spending on recreational durables is highly income elastic, meaning that a change, either upwards or downwards, in personal income will generate a greater than proportional change in purchases of such durables. The income elasticities, short-run and long-run, estimated by the Economic Council, for recreational durables were 2.74 and 1.72 respectively; only a few other consumer item groups, such as household appliances and automobiles, exhibited greater income elasticities.

The purchase of most kinds of pleasure craft normally involves a major outlay by the consumer. This purchase decision is one easily postponed when consumers are uncertain about current and anticipated earnings and their purchasing power. The demand for pleasure craft, therefore, will be very sensitive to the current economic slow down and the realignment of consumer spending. Moreover, measures to husband energy, such as the imposition (following the November 1974 Budget) of an additional 10 per cent federal sales tax on motors and engines having 20 horsepower and over, and the increasing cost of fuel, have now emerged as direct limiting factors.

There are other such factors of a more general and longer-term nature, the impact of which is not at all clear. For example, polluted and overcrowded waterways discourage sales. A concern for the safety of people using lakes and rivers, both boaters and non-boaters, has promoted the establishment of designated "boating lanes", i.e., zones where boating is permitted, as opposed to zones where boating is not permitted. Similarly, noise pollution is increasingly becoming a problem, especially on smaller lakes with a relatively high population of boat owners: this has resulted in restrictions such as limits on the horsepower of motors and outright prohibition of boating during certain periods of the day. Still other factors, which are rather less recent, such as the lack of marina facilities, may also dampen the demand for pleasure craft.

Finally, virtually the whole of the recreational goods industry competes with the pleasure craft industry for the consumer's recreation dollar. This restraining factor on new pleasure craft sales is compounded by a growing supply of second-hand boats. Pleasure craft are a significant but nevertheless a relatively small component of total recreational durables spending in Canada. The pleasure craft

market in Canada, at retail, in 1971, was estimated by the Board at around \$67 million. According to unpublished data compiled by Statistics Canada, Canadian retail sales of recreational durables, including snowmobiles and campers, totalled about \$2 billion in that year. Domestic retail sales of pleasure craft comprise, therefore, only about 3.4 per cent of domestic retail sales of all recreational durables. This percentage decreases further when account is also taken of spending on recreation services (ski tows, marinas, race tracks, golf and tennis clubs, etc.), which amounted to \$900 million in 1971, according to Statistics Canada.

Clearly there are many items competing with pleasure craft for the consumer's recreation dollar. During the fifties, when the demand for pleasure craft increased at an annual rate of 18.3 per cent (See Table 5.17), the domestic market for pleasure craft probably out-paced domestic sales of all recreational durables. Since that time, however, it would seem that pleasure craft sales have been losing ground relatively to other, especially newer, forms of recreational activity. For instance, Canadians in 1972 spent an estimated \$110 million, at factory prices, on snowmobiles; that is, twice as much as on pleasure boats in that year, even though the snowmobile was virtually unknown as a recreational vehicle six or seven years before. However, its share of recreational spending has been levelling out and more recently its popularity appears to have been falling. It is likely that sales of pleasure craft, relative to other recreational durable goods, have already gone through a similar experience. One reliable study⁽¹⁾ done in the United States concluded that consumer spending on boating, compared to recreational spending in total, has diminished steadily since 1958, a finding probably applicable to Canada.

METHODS OF MARKETING AND SALES PROMOTION

Pleasure craft manufacturers distribute their products in three ways: through dealer/distributor networks, through chain stores (mainly major department stores) and directly to the consumer.

By far the greater portion of boat sales is made through dealer and distributor networks arranged by the larger firms in the industry. According to information provided by the Board's 1971 industry questionnaire, domestic sales (total shipments less exports) in that year were \$32.0 million. Such sales may be approximately broken down, according to method of distribution as follows: 18 per cent through distributors; 60 per cent through dealers; 12 per cent through chain stores; and 10 per cent direct to the consumer. Sales through the dealer/distributor network, that is through dealers or through distributors who in turn employ dealers, therefore account for about three fourths of domestic sales.

In the pleasure craft industry, a dealer is the retailer who sells to the public. Dealers may purchase their boats either directly from the manufacturer or from a distributor who performs the functions of a wholesaler. In many ways the marketing and distribution techniques used by the larger firms are similar to those in the automobile industry.

(1) Predicasts, Inc. Recreational Boating, (Cleveland, Ohio, 1970)

The general size and cost of many products are comparable and, in the runabout field, some degree of annual restyling, essentially a sales promotion technique, is common. Many boat manufacturers operate on a model year basis with new models or designs being introduced in the fall. Also, as in the automobile industry, the base price of a boat excludes many options which are normally ordered through, or purchased from, the dealer. Dealers offer for sale not only boats but also a number of related marine products such as outboard motors, trailers, boating apparel, life-jackets, watersport equipment such as skis, and deck hardware. Many dealers also sell snowmobiles as well as a variety of sports and camping equipment. The majority of dealers appear to be situated in general shopping areas in urban locations and not on the water at sites which are too distant from population centres.

A large manufacturer's marketing network usually consists of some combination of both dealers and distributors. In most cases the manufacturer recruits and supervises dealers in the immediate sales region where his production facilities are situated. In this case salaried personnel are normally employed to oversee the dealerships. Distributors are used to market boats in more distant market areas; they are responsible for organizing their own dealership network, often perform an inventory function, and assume any losses incurred in their accounts receivable.

Department Stores

These outlets handle primarily smaller craft such as canoes, utility-boats, outboard runabouts, small sail-boats and inflatables, which can be conveniently sold along with sporting goods. According to interviews with department store sales personnel, the floor space required to display boats is a major problem. Larger runabouts are seldom sold through department stores as these models involve ongoing service requirements not usually available from department stores. Some larger pleasure craft are sold, however, by department stores through their catalogue order department. A significant share of aluminum car-top boats are marketed by manufacturers through department stores; some are made for, and are branded lines of, the buyer. To the extent that a pleasure craft manufacturer markets through chain department stores, his costs of selling are greatly reduced. In this case the manufacturer does not require sales personnel to supervise distributors or dealers, does not need advertising or promotional programs such as boat shows, and is not exposed to the bad debt expense sometimes incurred in marketing through small dealerships. On the other hand, large volume sales to chain stores are made at lower unit prices. As noted, sales through department and other chain stores account for some 12 per cent of total domestic sales by value.

Direct Sales

These are also quite common in the pleasure craft industry. Many small establishments, lacking a dealer or distributor network and an extensive advertising program, have, nonetheless, been able to develop a regular regional outlet for their production. These small producers rely mainly on reputation and word-of-mouth advertising to secure sales, and often offer lower prices to the buyer, as their selling and

advertising costs are minimal. Direct sales are not restricted to small manufacturers only. According to information submitted to the Board, through its industry survey, some major pleasure craft manufacturers often market a substantial share of their production on a direct sales basis. Where this is done, dealer and distributorship arrangements allow for direct selling by the manufacturer in certain designated market areas. Most custom builders of sail-boats and power cruisers, attracting orders through reputation, and building to an individual buyer's specifications, deal directly with the customer. About 10 per cent of domestic pleasure craft sales represent such direct purchases.

Boat Shows

A principal promotional medium in the pleasure craft industry for manufacturers, distributors and dealers is the boat show. The three major boat exhibits in Canada are held in Toronto, Montreal and Vancouver in the late winter and early spring. These boat shows are of great importance in providing an early, first-hand indication of public and dealer reaction to new models. Boat shows held in the United States are often attended by members of the Canadian industry, and a number of Canadian manufacturers participate in these United States exhibitions. A part of exhibition costs may be subsidized by government programs designed to foster exports through Canadian participation in foreign trade fairs. United States pleasure craft producers also display their boats at the major Canadian boat shows. Some members of the Canadian industry pointed out that boat show expenses are more easily absorbed by large United States firms and that their products frequently occupy large portions of prime space at Canadian boat shows. A successful showing by a manufacturer often results in significant dealer orders, and the major shows both in Canada and the United States are also an industry meeting place for dealer recruitment and exchange of information on new trends and products. In the United States, a number of boat shows take place in the fall rather than in the early spring, and fall boat shows may be gaining popularity in Canada also. Since many pleasure craft producers operate on a model year basis, with the model year ending in August or September, fall boat shows are said to be of value in assessing consumer trends and estimating winter production requirements. While most of the major boat shows held in North America are indoor exhibits, there is a recent trend to in-the-water boat shows. Such shows were originated chiefly by the sail-boat sector of the industry but their appeal is presently spreading to powercraft sectors as well.

Smaller boat shows are organized by local dealers. These are often held at shopping centres, exhibition parks, malls and dealers' showrooms. Local newspaper and telephone directory advertising are also main forms of dealer promotion with such costs normally covered by dealer mark-ups. The costs of exhibiting in national boat shows, advertising in boating and sports publications, and various catalogue and brochure printing costs are standard promotional expenses to the larger manufacturer.

Distributor and Dealer Discounts

It is standard practice in the pleasure craft industry to provide dealer and distributor margins in terms of discounts from retail list prices, rather than on the basis of mark-ups on the manufacturer's price. A boat model selling at a suggested retail list price of \$1,000 would, with a dealer discount of 30 per cent, cost the dealer \$700. Such a dealer discount would be equivalent to a 43 per cent mark-up on the manufacturer's price to the dealer. With a 10 per cent discount off retail price for the distributor, the latter's cost would be \$600; and this discount would be equivalent to a mark-up of 16.6 per cent on the manufacturer's price to the distributor. In this example, the two discounts would have the effect of raising the price of the boat to the final purchaser from \$600, f.o.b. plant, to \$1,000, an increase of 66.7 per cent.

Depending on the type of boat and its suggested retail price, dealer discounts in the pleasure craft industry range from 15 to 33 per cent. Where marketing is done through a distributor, a further discount of 10 to 15 per cent is involved. Discounts in the channel of distribution often represent as much as 40 to 50 per cent of the retail price to the consumer, or close to a doubling of the f.o.b. plant price. In addition to the usual distributor and dealer discounts, a manufacturer may offer additional discounts to a dealer or a distributor, e.g., as a promotional incentive or for volume purchasing or off-season deliveries.

It should be noted that the distributor and/or the dealer is responsible for transportation costs from the plant for both domestically-produced and imported craft. As discussed later, transportation costs for pleasure craft frequently account for a substantial proportion of the retail selling price.

The dealer or distributor selling imported pleasure craft is also responsible for the payment of the import duty and the 12 per cent federal sales tax. For craft entered under tariff item 44002-1, dutiable at 25 p.c., M.F.N., the combined cost of import duty and federal sales tax adds 40 per cent to the foreign manufacturer's price, or, put another way, to the cost of the imported boat. For all other pleasure craft - they are imported under items 44003-1 and 44004-1 at 17½ p.c., M.F.N. - the combined cost of duty and federal sales tax adds 31.6 per cent to the cost of the imported boat.

Thus if it is desired to maintain the same margins, say for dealers, on imported and on domestically-made pleasure boats, the discounts they are granted off retail price on imported craft have to be higher by the cost of the duty and the federal sales tax. The model set out in Table 5.18 illustrates.

Table 5.18: Model of Relationships between Retail Price and Dealer Discounts on Identical Imported and Domestic Boats

	Boat Produced in the United States				Boat Produced in Canada	
	Sold in the United States		Sold in Canada		Sold in Canada	
	\$	\$	\$	\$	\$	\$
Factory Price, f.o.b., or Cost to the Dealer		85.11		85.11		112.00 ^(a)
Canadian Duty ^(b)	-		14.89		-	
Federal Sales Tax ^(b)	-		12.00		-	
Dealer's Margin	36.47		48.00		48.00	
<u>Total Dealer's Discount</u>		36.47		74.89		48.00
Retail Price		121.58		160.00		160.00

(a) Includes the federal sales tax of 12 per cent paid by the manufacturer

(b) The duty and the federal sales tax (on the duty paid value) are paid by the dealer at time of importation.

In the model the margin granted the dealer is the same in all three cases - a discount of 30 per cent off retail price. However, in the case of the United States-produced boat sold in Canada, the dealer's total discount is not 30 per cent but 46.8 per cent; the United States manufacturer, in this case, must provide a larger discount to allow his dealer to pay the customs duty of 17½ p.c., as well as the federal sales tax of 12 per cent on the duty-paid value of the boat.

The model is, of course, an over-simplification of what usually takes place in the industry. As already explained, dealer discounts vary considerably depending on the type and value of craft. Moreover, it is assumed in the model that the Canadian and United States producers deal directly with dealers and do not use distributors. The model is also based on two further assumptions - that the Canadian producer "prices up" fully to the duty of 17½ p.c., M.F.N., and that the Canadian and United States dollars are at par.

Within the normal range of dealer discounts of 15 to 33 per cent on domestically-produced models, the larger, more expensive craft have the lower discount and the smaller, less costly ones, the higher discount. Dealer discounts on canoes, utility-boats and small sail-boats, whether of FRP or aluminum, are usually 30 to 33 per cent, to make these lower-priced items attractive to handle from the dealer's point of view. Outboard runabouts and smaller inboard/outboard models also have a dealer discount of 30 per cent, while 20 to 25 per cent appears to be the usual discount for inboard/outboard models retailing for \$10,000 to \$14,000. The dealer discounts provided by sail-boat manufacturers generally range from 20 to 30 per cent, again depending on size and retail price: the range is roughly 20 to 30 per cent for sail-boats under 20 feet, and 20 per cent for craft between 20 and 30 feet.

Distribution methods and dealer and distributor discounts used in the Canadian pleasure craft industry are, in general, similar to those employed in the United States industry. Some Canadian exporters of sail-boats to the United States grant larger discounts to United States dealers than they give to Canadian dealers. Most Canadian boat manufacturers selling to the United States market appear to sell through dealers, although in some cases marketing is done through distributors, or direct to the United States consumer.

Seasonal Aspects of Marketing

The highly seasonal nature of pleasure craft sales in Canada affects dealer and distributor arrangements with respect to both marketing and financing. This seasonal factor poses particular problems for Canadian manufacturers which produce for inventory and maintain a more or less year-round production. These companies require substantial working capital to finance inventory accumulations of pleasure craft during the months of highest production (fall and winter) when sales are lowest.

The Board was unable to obtain satisfactory information on inventory levels, movements and costs. Table 5.19 gives some information on inventories, at the beginning and at the end of the reporting year, of materials and supplies, of partially finished goods, and of finished goods. These data are for the Boatbuilding and Repair Industry, as reported by Statistics Canada. However the reporting year frequently differs as between boat-builders and, for this and other reasons, the "opening" inventories for one year do not coincide with the "closing" inventories of the preceding year. Moreover the data in Table 5.19 refer to all goods produced by the Boatbuilding and Repair Industry, and include commercial boats and goods other than boats. This information, therefore, reveals very little concerning the levels, fluctuations and costs relating to inventories; nor does it reveal anything with respect to the seasonality of demand on inventory accumulation in the pleasure craft industry.

Table 5.19: Opening and Closing Inventories of Materials and Supplies, Goods in Process, and Finished Goods in the Boatbuilding and Repair Industry, 1965-1972

	Materials, Supplies, Etc.		Goods in Process		Finished Goods of Own Mfr.		Total	
	Opening	Closing	Opening	Closing	Opening	Closing	Opening	Closing
	- \$'000 -							
1965	1,986	2,648	1,716	1,564	1,527	1,556	5,229	5,767
1966	2,462	2,949	1,442	1,783	1,437	1,601	5,342	6,334
1967	3,021	3,120	1,790	2,205	1,611	2,079	6,421	7,404
1968	3,313	3,724	1,908	2,986	2,344	2,842	7,565	9,552
1969	4,289	5,227	2,550	2,690	3,031	3,714	9,870	11,631
1970	5,487	6,042	2,276	2,665	2,820	2,770	10,583	11,477
1971	6,063	5,899	2,696	3,215	2,294	2,196	11,053	11,310
1972	5,567	6,767	3,529	2,917	2,422	4,068	11,519	13,752

Source: Statistics Canada

The statistics on inventories in boatbuilding and repair are, however, noteworthy in another respect: the ratio of the inventory of finished goods to the total value of shipments has changed very little since 1965: it was 1:12.8 in 1965 and 1:13.1 in 1972. This indicates, as stated in Chapter I, that in that industry "production" can be taken to be the same as "value of shipments" because the relative importance of inventories to output has remained essentially the same over the years.

Many companies, in order to minimize inventory build-up which comes at the end of the production period (about early spring) just before heavy deliveries begin, often provide additional discounts, ranging up to 10 per cent, and greatly extended credit terms, as a further inducement to distributors and dealers to take off-season or early-season shipments. Some companies structure credit terms so that, on deliveries taken from October to March, payment is not due until March 15th or April 1st. For boats purchased in October this arrangement means that dealers enjoy very lenient credit terms of up to 180 days before payment is due. The granting of such attractive credit results in a saving in warehouse space and a reduction in inventory carrying costs, but the cost of financing accounts receivable is proportionately higher.

Off-season discounts and attractive credit terms for off-season deliveries are also designed to keep an even production flow so that a trained work force may be retained. Many pleasure craft producers stressed that seasonality is especially critical for production and manpower planning; seasonal discounts and special credit terms presumably help improve operating efficiency and reduce labour turnover.

The storage problems created by the industry's seasonal sales pattern are appreciable. If boats are stored inside, warehouse space is needed to provide for the pre-season inventory build-up. Storage space is an additional capital charge, if owned, or an operating expense, if leased. Outside storage, with or without protective coverings, may also be employed. However, boats stored in this manner are subject to some weathering damage and additional cleaning costs prior to sale in the spring.

Not all Canadian manufacturers are equally affected by the seasonal nature of the industry. Large sail-boats and power cruisers are usually built to order, rather than for inventory, and buyers often take delivery on a "when-completed" basis. Monthly sales data submitted to the Board suggest that seasonality is much less a factor for Canada's sail-boat and power cruiser manufacturers than it is for the makers of canoes, utilities, and runabouts. Custom builders of larger pleasure craft, furthermore, often receive progress payments at certain predetermined stages of completion and do not therefore need as much working capital to finance inventories. Seasonal factors are, also, of less significance in British Columbia which enjoys a longer boating season.

Members of the Canadian pleasure craft industry feel that their United States counterparts are less severely affected by seasonal problems. The relatively short boating season in Canada appears to be a disadvantage for Canadian manufacturers relative to their United States competitors who are in a position to take advantage of a less

seasonal market. As the boating season in many parts of the southern United States provides an all-year market, working capital needs for inventory build-up and warehousing, and storage problems, are believed to be less in the United States industry. Greater continuity in production is another important advantage.

THE TRANSPORTATION OF PLEASURE CRAFT

Because of the nature of the finished product, the volume of pleasure craft marketed nationally by Canadian producers is small. In the long-distance shipment of boats, a number of problems confront the industry. Truck transport is very expensive relative to the retail price of most boats, and railway shipment entails a number of disadvantages. The effect of transportation problems on the industry was summarized as follows by the Allied Boating Association in its presentation to the Tariff Board:

" One of the reasons that the boating industry is so regional in character is the general difficulty and high cost of transportation. Boats are large, relatively light for the volume and, from a materials handling standpoint, relatively awkward and fragile. Largely as a result of this transportation problem very few of even the largest boat builders have been able to successfully market their products on a national basis."⁽¹⁾

While these views are generally correct, a number of Canada's boat manufacturers do, in fact, market their products coast to coast. In 1971, for example, from information derived from the Board's survey of the industry, twenty-one major boat-builders sold at least part of their product nationally; a number of these made only a few shipments. From interviews with industry members it appears that some efforts are being made by some manufacturers to extend their market beyond their more immediate selling area. Also included, therefore, in the twenty-one boat-builders may be several firms which, while not regularly distributing nationally, were in 1971 attempting wider geographic distribution on a trial basis.

The transportation costs given in the report are generally based on 1972 truck and rail rates. Obviously inflation has had a significant impact since that time. However, the impact on transportation costs has probably not been much different, proportionately, than on other costs and on the selling prices of boats to consumers. Furthermore, the impact of inflation has, of course, been felt by all concerned in the pleasure craft industry, both in Canada and in the United States. The relationships which obtained in 1972 between transportation costs and other costs, and selling prices, probably still obtain, and it can be concluded that the findings arrived at, with respect to transportation, on the basis of 1972 rates, remain valid.

The 500-Mile Trading Area

Analysis of interprovincial sales data substantiates the statement of industry members that pleasure craft produced domestically are principally sold regionally. This regional market was described as being the immediate market area within approximately 500 miles of plant

(1) Transcript, Volume I, p. 26

facilities. While the Board did not obtain, from responses to its industry survey, any sales breakdown on mileage basis, the Board did receive substantial information on domestic sales broken down by province. These data, together with certain assumptions, permitted the Board to conclude that approximately 10-15 per cent of total pleasure craft production is currently marketed in provinces other than the province of production, and involves what may be regarded as long-haul shipments of finished products. In the data tabulated below, the estimates given show long-distance interregional sales made by each region as a percentage of the total value of pleasure craft production in that region:

Atlantic Provinces	35 - 40%
Central Canada	10 - 15%
Prairie Provinces	25 - 30%
British Columbia	5 - 10%
Canada Average	10 - 15%

Ontario and Quebec are combined here because these two provinces comprise, in effect, one trading region. Trade between the four regions shown represents for the most part the trade volume which may be identified as interregional sales involving long-distance transport (over 500 miles). The percentage indicated for the Atlantic Provinces is high since a substantial share of this area's pleasure craft production is sold in central Canada. It is exceptionally low in the case of British Columbia whose boat-builders seldom market interprovincially.

Quite characteristically, Canada's pleasure craft manufacturers are situated near the United States border. Thus, the 500-mile radius said to constitute the principal market area often encompasses large United States markets for pleasure craft. Using Toronto as a base point for Ontario's important pleasure craft industry, a 500-mile radius includes such major United States population centres as New York, Chicago, Boston, Philadelphia, and Cleveland. Other, by Canadian standards, large United States markets for pleasure craft, adjacent to centres of the Canadian pleasure craft industry, are the Seattle-Portland area and the Great Lakes States of Minnesota and Wisconsin. Export sales to these adjacent United States regions are believed to account for the largest share of total Canadian exports. Exports sales made by C & C Yachts, Canada's major sailcraft exporter, out of Niagara-on-the-Lake and Oakville, were said to be largely concentrated within a 500-mile radius of southern Ontario, according to this company's brief. One consequence of the regionality of the market in this industry is that north to south trade between the United States and Canada appears to be of greater volume and value than interregional trade within Canada. Export sales in 1971 were \$12.3 million which compares to a domestic interregional trade of \$8.6 million. The latter figure includes interregional trade between Ontario and Quebec; if it is excluded, the value of interregional falls to \$5.1 million.

The importance of interregional and export trade varies substantially from one group of pleasure craft to another, as Table 5.20 reveals. Exports are much more important than interregional trade in the production of power cruisers and sailcraft; in fact interregional trade in these craft is relatively unimportant. On the other hand, for

canoes and utilities, trade between regions is much more important than exports; indeed exports are not significant. With respect to runabouts, exports are relatively insignificant and three quarters of them are sold within the same region where they are produced; the remainder are sold in other regions.

Table 5.20: Distribution of Canadian Shipments of Pleasure Craft by Product Group, 1971

	Value of Shipments \$	Per Cent of Shipments		
		Exported %	Sold Within the Region %	Sold to Other Regions %
Canoes	3,170,693	12.3	54.9	32.8
Utilities	4,238,250	2.8	50.9	46.3
Runabouts	13,520,242	1.3	75.1	23.7
Sail-boats	14,729,598	54.3	34.9	10.7
Power Cruisers	6,721,172	43.7	54.3	2.0
Other Boats	1,939,359	34.4	33.1	32.5
<u>Total</u>	44,319,314	27.7	53.0	19.3

Source: Tariff Board Industry Survey

Short-Haul Shipments

Pleasure craft produced in Canada are shipped by both truck and rail for both short- and long-distance hauls. Trucks especially fitted for pleasure craft transportation are used primarily for short-haul deliveries, while rail is employed largely to serve more distant markets. In contrast, a large United States producer, shipping across the entire North American continent, uses exclusively truck transport.

With only a few exceptions, prices in the industry are quoted f.o.b. manufacturer's plant. Consequently transport and transportation costs are the responsibility of the dealer or the distributor. Many larger producers operate their own trucking service, however, as a convenience to their dealers or distributors. The manufacturer often can provide transportation for his entire output at a lower cost than when individual distributors or dealers make their own arrangements. The Board learned that in most cases manufacturers offer trucking services at significantly less than full cost. Charges to dealers for transportation vary greatly: in 1972 they ranged up to 95 cents a loaded mile for short-distance shipments.

Truck-loading at the plant is normally done by the yard personnel of the manufacturer, while off-loading at destination is done by the distributor or by the dealer. Rates charged to dealers are usually based on a full truck-load as partial truck-loads are not practical, except for very short-distance deliveries. The Board was informed that not all public trucking firms have facilities for boat transport and that individual carriers tend to specialize in this

business. According to a representative of Grew Limited⁽¹⁾ common carriers are not always readily available when required in the industry's busy season. Some manufacturers, therefore, may maintain their own trucking facilities mainly in order to ensure a more dependable delivery service. This was indeed so with the large United States manufacturer referred to above.

For the trucking service provided by the manufacturers for short-haul deliveries, transport cost a loaded mile (as distinct from partially subsidized charges made to dealers), appeared to range, in 1972, between \$0.70 to \$1.05. Statements made during the public sittings indicated that the use of a public carrier would probably cost \$1.00 a loaded mile⁽²⁾, and that the transport cost could be less if the manufacturer provides his own trucking service. The representative of C & C Yachts Manufacturing Ltd. made the following comments, for example, with respect to transport cost by truck:

"As far as costs are concerned I should go back to road transport, and I think Mr. Francis [representing Shepherd Boats, Ltd.] who in his comments mentioned approximately \$1.00 a mile in using a commercial carrier. [He] spoke on behalf of our [sail-boat] portion of the industry because our rates are identical. We do some of our own transporting with our own units and ... try to hold those road transports to a maximum of a 500 mile radius from our place of manufacture. Those rates are slightly less, running between 70¢ and 75¢ per loaded mile."⁽³⁾

Some examples of road transport rate schedules are exhibited in Appendix A.17. The schedules shown are believed to be representative.

Most of the trucks or truck/trailer units used for boat transport are specifically constructed for this purpose and can accomodate varying numbers and sizes of boats. Typical loads are said to be nine or ten boats of 15 to 16 feet in length, about thirty utility-boats of 12 feet, or one or two large boats. For distances of 500 miles or less, transport costs are not thought to constitute a major cost relative to retail value. Such costs, on average, appear to represent usually less than 5 per cent of a boat's retail price. An illustrative example of short-haul, i.e. less than 500 miles, transport and handling costs in relation to retail value, based on a typical truck-load of runabout models, is given on the following page.

(1) Transcript, Volume I, p. 62

(2) This rate of \$1.00 a loaded mile actually referred to long-haul shipments. However, rates charged by public carriers (truck) did not appear to differ substantially as between long and short hauls.

(3) Transcript, Volume I, p. 65

Retail value of truck-load	\$15,000	\$25,000
Freight costs at \$0.95 a mile (500 miles)	475	475
Assumed costs for loading, unloading, wrapping	200	200
Total transport and handling costs as per cent of retail value	4.5%	2.7%

In this example, the costs shown for freight (\$0.95 a mile) and for loading, etc., are probably on the high side. Furthermore, some shipments of runabouts can have a retail value of \$40,000 where five or six of the more expensive inboard/outboard models comprise a truck-load. In this case, transport costs constitute not much more than one per cent of the retail value carried. For short-haul deliveries, wrapping, loading and unloading costs, sometimes paid by the dealer or distributor, can often be greater than freight costs. Some additional shipping expense may be entailed in transporting sailcraft as masts and rigging must be dismantled; extra costs may also be involved in trucking auxiliary sail-boats and power cruisers since special permits and escort services may be required under provincial Highways' Acts when loads exceed a specified width.

Long-Haul Shipments

Beyond a certain distance, normally 500 miles, boat manufacturers have generally found it uneconomical to employ their own trucks for delivery as trucks must return empty on the back-haul.⁽¹⁾ For the long-distance shipping of pleasure craft, rail is the most frequently employed means of transport. There are some exceptions to this pattern, however; Grew Limited, for example, has recently started to employ their own specially-equipped truck/trailer units for long-distance shipments between the Toronto area and Vancouver. A few other boat manufacturers, also, occasionally, ship long distance by contracting with a public trucking firm.

From interviews with industry members, it was evident that those manufacturers competing in more distant domestic markets frequently subsidize some part of the additional expenses resulting from long-haul shipments. This is usually done by granting the dealer or distributor, who normally pays for all transport expense, an extra discount. The manufacturer's profit margin is accordingly somewhat less for products marketed in more distant sales areas. This point was discussed at the hearing:

"..., to be competitive with like boats imported from the United States with the tariffs being paid, we do have to underwrite some of the cost of transportation to those more distant areas. In other words, one can suggest that there is not the same profit margin for our company sending a boat to Vancouver as there is in Toronto, Ontario or Ottawa, Ontario."⁽²⁾

- (1) In most cases, boat manufacturers would be restricted by Carrier Transport Licensing Regulations, to carrying goods of their own manufacture or for their own use. Furthermore, trucks specially designed to carry boats cannot be used to carry other goods.
- (2) Transcript, Volume I, p. 49: statement of spokesman for C & C Yachts Manufacturing Ltd., Niagara-on-the-Lake

The costs incurred in using a common carrier for long-distance boat transport appear, in most cases, to be prohibitively high in relation to the retail value of the boat or boats typically comprising a full truck-load. Although rates may vary between trucking firms providing a boat transport service, rates for long-haul shipments are believed to be approximately \$1.00 a mile. Charges by a common carrier to truck boats from Toronto to Vancouver (2,800 miles) were given, for example, as being \$2,600 - \$2,800, according to the Board's industry survey. In addition to these freight charges, there were also substantial loading and packing costs. Only truck-loads, or single units, of exceptionally high retail value would appear to warrant transport costs of this order.

While rail is normally the only feasible form of transport for long-haul shipment, the problems involved in shipping boats by rail appear to be a major deterrent to national distribution. Industry members cited several disadvantages to using rail: excessive time involved in extra stages of loading and unloading, as boats must be trucked to and from rail terminals; additional precautions in packing and loading into box-cars or on flat-cars; frequent and considerable damage, despite precautions in packing; and frequent need for a thorough cleaning upon arrival.

At the public sittings, the representative of Grew Limited described some of the problems pertaining to damage in using rail transport:

"I think the other problem is [one which] you do get particularly in rail cars, and boats aren't quite like cars where you can drive them and they have specially designed rigs for handling this -- we find our damage factor also becomes very high, and this is a deterrent to dealers a long way away. They hate like the devil seeing boats coming out of a boxcar that have been jostled or ... damaged and it is just doggone inconvenient for them and this makes this distribution at lengthy points very difficult. So beyond the normal costs you now have very high costs of packing those boats in, because if you don't spend those extra dollars you will get damage ...⁽¹⁾

The representative of C & C Yachts also compared road and rail transport:

"...we do use both road transport facilities and rail transport facilities. For road transport, there is no question of the fact that it is far more convenient from the standpoint of a manufacturer preparing single or multiple units for shipment. The usual, although not necessarily always, the instance is that that particular unit will arrive at its destination undamaged and in a relatively clean state. By rail, the same factors do not necessarily apply. We, like many other manufacturers,

(1) Transcript, Volume 1, p. 64

have found damage is something which is with us constantly, and should a unit on a flat car happen to be fairly close behind the locomotive, it can get pretty filthy, believe me, and it is a major job at the end of the trip to clean that unit."⁽¹⁾

Freight Rates

Boats are shipped by rail in 40-foot, 50-foot, or 75-foot box-cars, with flat-cars used for larger craft. Rates quoted in 1973 for shipping craft by rail (Canadian National Railways) were for a 40-foot box-car, \$13.93 a hundred pounds (Toronto to Vancouver) and \$7.11 (Toronto to Winnipeg). Such rates are subject to a 10,000-pound minimum. Since a rail-car load of boats is said to be always well below the minimum poundage stated, in effect these rail-car charges work out to be a flat fee for, or a rental of, a rail-car. Assuming that a car-load of boats weighs 5,000 pounds, for the Toronto-Vancouver route, the effective rate per 100 pounds would be \$27.86, or twice the stated rate of \$13.93; at 8,000 pounds a car-load, the effective rate would be \$17.41 a 100 pounds.

By rail, freight costs from Toronto to Vancouver (\$1,393 for a distance of 2,800 miles) would be approximately 50 cents a loaded mile. On the supposition that a 40-foot box-car carries the same number of boats as a truck, rail freight rates, at 50 cents, are much less than long-distance trucking by common carrier at about \$1.00 a mile, and are probably less than a manufacturer would pay to operate his own trucking services for long-haul shipments. However, as the Board was informed, rail transport involves a substantial number of additional costs and inconveniences. Most importantly, an extra loading/unloading process is entailed in bringing boats from the manufacturer's plant to the rail point. Further loading/unloading is normally required at destination to move the boats from the rail terminal to the dealer's premises or to the customer.

A number of companies provided the Board with transport cost data pertaining to their experience in shipping boats long distance. Presented below are some average transport cost figures for aluminum utility craft, aluminum canoes, and auxiliary sail-boats. While the Board received transport cost data for shipments of other types of pleasure craft, this data could not be usefully presented on an average, or composite basis⁽²⁾; the Board also felt that, for reasons of confidentiality, revealing any individual company's cost experience would not be appropriate.

(1) Transcript, Volume 1, p. 64-65

(2) Transport costs compiled by the Board varied greatly because of different distances involved, the different size and nature of boats shipped, and because of the variety of loading and packing procedures used. It was not possible to combine such data into any meaningful average cost experience.

Table 5.21: Pleasure Craft Shipments from Toronto Area -
Average Costs of Long-Haul Transport and Handling,
by Type of Craft, 1972

	Utility-Boats (Aluminum)	Canoes (Aluminum)	Auxiliary Sail-Boats (Fibreglass)	
	By Rail	By Rail	By Rail	By Truck
	\$	\$	\$	\$
Average Retail Price	299	246	13,598	
Average Dealer Price	183	153	11,848	
Average Weight	110 lb.	59 lb.	7,500 lb.	
Average Length	12½ ft.	13¾ ft.	28¾ ft.	
Loading Costs	3.17	3.62	180	30
Unloading Costs	1.00	-	-	-
Packing Materials	2.17	4.60	345	150
Freight Costs:				
To Halifax	9.49	7.94	638	1,209
To Winnipeg	15.00	13.80	1,152	1,267
To Vancouver	29.39	27.15	1,679	1,980
Total Transport Costs (a)				
To Halifax	15.83	16.16	1,163	1,389
To Winnipeg	21.34	22.02	1,677	1,447
To Vancouver	35.73	35.37	2,204	2,160
- per cent -				
Total Transport Cost as Per Cent of Dealer Price:				
To Halifax	8.7	10.6	9.8	11.7
To Winnipeg	11.7	14.4	14.2	12.2
To Vancouver	19.5	23.1	18.6	18.2
- per cent -				
Total Transport Cost as Per Cent of Retail Price:				
To Halifax	5.3	6.6	8.6	10.2
To Winnipeg	7.1	9.0	12.3	10.6
To Vancouver	12.0	14.4	16.2	15.9

(a) Total transport cost is total of loading, unloading, and packing material costs plus freight to destination indicated.

Source: Tariff Board Industry Survey

Despite the distortions resulting from the grouping of cost information and from showing only average figures, the transport costs presented in Table 5.21 are thought to be fairly representative for the type of craft shown. The most pertinent relationship given is probably the ratio of total transport costs to suggested retail price. In the case of utility-boats and canoes, only transport costs by rail are shown as this type of craft appears to be seldom shipped long distance by truck. Transport costs by both rail and truck were obtained, and are provided here, however, for auxiliary sail-boats. Unloading costs were in most cases not obtained since the cost information used was submitted by manufacturers and off-loading is an expense of the consignee. These costs are much greater for rail transport, so that although the total transport costs in Table 5.21 are generally understated, this is especially the case as regards rail transport costs.

With respect to shipping aluminum utility craft, total transport costs for a shipment from the Toronto area to Vancouver constitutes, on average, 12 per cent of the boat's suggested retail price. This figure is based on cost information submitted by three manufacturers for boats fairly similar as to length and weight and ranging from \$250 to \$350 in retail value. There was relatively little variance from this 12 per cent average; individual percentages ranged only from 10 to 14 per cent. The composite cost experience presented for shipping canoes by rail was also based on three manufacturers; the canoes included in deriving the averages shown for aluminum canoes varied in length between 11½ to 15 feet but were very similar in retail price (\$240 to \$250). As noted, for a Toronto-area to Vancouver delivery, total transport costs represented about 14 per cent of retail value for canoes; variance around this average was slightly greater in this group ranging from 12 per cent to over 17 per cent.

With reference to auxiliary sail-boats, the figures in Table 5.21 show averages for shipping a 27-foot and a 30-foot unit. By rail, Toronto-Vancouver transport costs in relation to retail value varied between 13 and 19 per cent, averaging 16 per cent; by truck this cost varied between 10 and 21 per cent, also averaging about 16 per cent. One set of cost data was based on shipment by the manufacturer's own truck, in the other example a public trucking firm was used. This fact largely explains the large spread in the road transport percentages; the use of the common carrier was more costly.

Other transport cost information derived from the Board's industry survey, for other types of boats, revealed that, generally, transport costs as a per cent of retail price ranged between 10 to 20 per cent for Toronto to Vancouver, and between one half to two thirds of this for Toronto to Winnipeg shipments. It would appear that it is feasible to ship power cruisers long distances because shipping charges represent a small share of retail price. An excellent example of this fact was given at the public sittings by the spokesman for Shepherd Boats, Ltd. who said that transportation costs, in March, 1972, were \$1,200 to \$1,400 to ship a 36-foot boat to Vancouver.(1)

(1) Transcript, Volume I, p. 61

These power cruisers retail at a price of \$45,000. The indicated shipment cost is only 2½ to 3 per cent of retail value. Shipping costs for 50-foot boats, also shipped by rail in this company to Vancouver, were said to be as much as \$10,000 for the same distance. Despite such very high shipping expenses, transport is evidently feasible for a boat selling for as high as \$175,000. This company also markets overseas on a regular basis, and is believed to be the only Canadian company doing so successfully. Transport costs for shipping a 50-foot cruiser to Europe in 1972 were said to be \$8,000 to \$12,000; in 1975 this cost had risen to \$20,000.

Speaking generally, there appear to be at least some opportunities for the Canadian pleasure craft industry to broaden its distribution. Principal alternatives seem to be: (a) establishing a regional warehousing system to utilize more fully transport facilities; (b) establishing subsidiary production facilities; and, (c) operating specially-equipped trucks for long-haul shipments. The Board knows of only one pleasure craft manufacturer, Aluminum Goods Division of Alcan (Canada) Products Ltd., Toronto, which makes use of regional warehousing; this company has outdoor storage in Montreal. Similarly, only one Canadian pleasure craft manufacturer has set up subsidiary regional production facilities. This company, Harber Mfg. Limited, of Fort Erie, Ontario, in 1972 put into operation a second boat plant in Vernon, British Columbia, in order to develop its sales on the west coast. With respect to improved methods of long-distance trucking, Grew Limited is the only manufacturer which now regularly operates its own trucking service to deliver the products of its Ontario plant to the British Columbia market.

PRICING AND PRICES

Several large Canadian pleasure craft manufacturers provided the Board with lists of suggested retail prices for the domestic market, some of which were applicable for the United States market as well. Industry sources also supplied the Board with some useful information on suggested retail prices in the United States for pleasure craft produced in that country and imported into Canada. Furthermore, a number of respondents to the Board's industry survey submitted quite detailed information to explain the spread between the suggested retail price and the f.o.b. plant price; the major components of this spread - dealer and distributor discounts and transportation costs - were described in the two preceding sections of this chapter.

Most of the information on pricing and prices was provided by the larger producers; the Board did not receive price information from small firms in the pleasure craft industry because, in most instances, a regular method of pricing simply does not exist. While this limited the scope of the Board's study of prices and pricing policies in the Canadian pleasure craft industry, a number of areas were, nevertheless, usefully explored. On the basis of evidence presented at the public sittings, subsequent discussions with individual producers, and price, discount and distribution data made available to the Board, a general description of pricing practices within the pleasure craft industry was possible. Data and information submitted to and obtained by the Board also permitted a more detailed analysis

of the difference between retail prices of pleasure craft in Canada and in the United States. The question of the impact of the existing tariffs on pleasure craft and the extent to which Canadian pleasure craft producers use the current tariff protection are considered in Chapter VIII.

Pricing

The pricing policy of the small pleasure craft manufacturer, making a small number of units for the local market, is simple: cover production costs and maximize the return. He may or may not absorb transportation costs and he may or may not assume responsibility for loading and unloading the craft he sells; that will vary from one boat-builder to another, from one type of craft to another, and from one sale to another. In point of fact, these differences in pricing are not significant: selling costs are negligible for the small producer because, more often than not, he sells direct to the customer, rather than through a dealer, and transportation costs are relatively low because he serves a small local area only. It can be said that for most small firms in the pleasure craft industry the price, f.o.b. plant, including federal sales tax (and, of course, profit to the producer), differs little from the price paid by the boat purchaser.

The selling price of the small producer is, however, determined ultimately by the retail prices of pleasure boats produced by the larger domestic and foreign pleasure craft manufacturer: the small producer cannot ask more from a price-conscious buyer than his competitors, unless his pleasure craft is significantly better in quality and appointments. However, while the small local manufacturer, normally, cannot charge more than his larger competitors, the latter's retail prices in the market area of the small producer are, frequently, high enough to provide the small producer with a return which he considers acceptable, and as long as this is the case, his operation will be "viable".

In the immediately preceding sections of this chapter the Board described the distribution costs encountered by the larger pleasure craft manufacturers in the form of distributor and/or dealer discounts and transportation expenses. Dealers and distributors can have a combined discount, including transportation, comprising as much as 40 to 50 per cent of retail list price; transportation costs, can, depending on the distance and the size and value of the craft, constitute as much as 16 per cent more of the retail price. Thus, the retail price of the large manufacturer's pleasure boat can be more than twice as high as his f.o.b. plant price. The small pleasure craft producer, able to avoid these distribution costs to a large extent, is therefore provided with a substantial cushion for absorbing his comparatively higher production costs and, as long as the advantage enjoyed by the small manufacturer in the form of lower (or nil) distribution costs exceeds the advantage which the large domestic manufacturer enjoys in lower production costs, the small producer can continue to be part of the Canadian pleasure craft industry.

Small pleasure craft establishments are also situated in, and compete in, the same region in which a larger pleasure boat producer is located (e.g., the Toronto area). In this case, competition with such a larger, and presumably lower cost, producer is more difficult as material transportation and distribution advantages are not obtained. However, small producers in such a situation may be able to stay in business by competing on a basis of different design or style, or by offering custom work or services not provided by the larger manufacturer. Such a small producer may also be able to market on a direct basis rather than through a dealer and may be willing to accept lower profit margins.

Pricing for large domestic producers of pleasure craft is, of course, much more complicated. They produce, frequently, more than one type of pleasure boat, and, in turn, several models of each. Their market area has a radius of some 500 miles and in many instances extends across Canada and into the United States, thus penetrating market areas of other domestic and foreign producers.

The common practice for most larger pleasure craft producers is to provide their dealers and/or distributors with a list of suggested retail prices. These price lists normally indicate the dealer's discount and hence the price to the dealer, and where applicable the distributor's discount and the price to the distributor. These suggested retail prices are designed to be competitive; they include production, transportation and other costs and provide a profit margin for all concerned.

This formal pricing structure is usually applied across as large a marketing area as possible. Within that marketing area, the manufacturer attempts, for each model, to have the same suggested retail price, the same discount and the same price f.o.b. plant, regardless of destination or distance from his plant. Differences in transportation cost and differences between his retail price and that of his competitors, are to be passed on to the dealer and/or distributor and/or consumer.

Most larger pleasure craft producers are probably able to implement the policy of equating suggested retail prices and equating f.o.b. plant prices only within what has been designated as the 500-mile marketing area. Transportation cost differentials within this trading area are relatively small compared to the suggested retail price and can readily be absorbed by the distributor and/or dealer and/or consumer. Differences as between manufacturers in the suggested retail prices for virtually the same boat can, probably, be, and are frequently, met by the dealer who adjusts his retail price as required. In fact, such differences in suggested retail prices are seldom noticeable because producers do not manufacture models that are the same in dimension, weight, and appearance - competition is usually based more on style, quality, appointments, etc., than on price. Furthermore, often the boat sold is part of a larger deal including motor, boat trailer, etc. However, even within a specific trading area a manufacturer must often absorb some transportation costs or improve the competitiveness of his craft by offering special, additional discounts to his distributors and/or dealers.

Outside the 500-mile marketing area, most producers adopt a much more flexible approach to pricing. This is particularly so when the market area of another major Canadian producer is entered, as is the case when an Ontario manufacturer ships to the Vancouver area. The Ontario producer, in order to meet the competition, must provide an additional distributor/dealer discount to compensate for the higher distribution and transportation costs. Transportation costs alone, as pointed out previously, may be higher by as much as 5 to 16 per cent of the retail price when shipping to Vancouver. Pleasure craft producers engaged in long-distance marketing, generally speaking, must absorb additional transportation and distribution costs. This was substantiated by a spokesman for C & C Yachts, who stated that his firm normally received less from long-distance shipments.⁽¹⁾ Actually, most Canadian pleasure craft producers probably find it impossible to absorb the additional costs of interregional marketing and still make a profit. Therefore most manufacturers confine their shipments primarily, if not exclusively, to the 500-mile trading area, and, as pointed out earlier in this chapter (See page 186), this is the principal reason why shipments beyond that distance account for only a small proportion of total industry shipments.

Normally, price lists are introduced at the beginning of the production or model year, and changes are introduced only when a substantial and unexpected increase occurs in production costs. In the past, the pleasure craft producer probably found that his production costs did not change significantly over a twelve-month period and, therefore, the suggested price lists remained essentially the same during the production or model year. Of course, in the past two years or so, due to rapidly increasing costs, retail price lists have been adjusted quite frequently.

While the Board has obtained little information on pricing by pleasure craft producers in the United States, it is believed that pricing practices are, on the whole, the same as in the Canadian industry. United States producers also provide their dealers and/or distributors with lists of suggested retail prices, which specify, in addition to the retail price, the cost of the craft to the dealer, and where applicable, the cost to the distributor, f.o.b. plant. It would appear that it is also the general policy of the United States pleasure craft producer to pass on the task of meeting the competition to the distributor and/or dealer. As is the case in Canada, most United States producers would only be successful in this respect within their immediate marketing area, because the presence of some 1,600 pleasure craft producers suggests a relatively high degree of competition. Once he penetrates the market area of a competitor, a situation which is no doubt more common in the United States than in Canada, the United States producer, too, will likely be compelled to absorb some of the additional transportation costs and thereby lower his return.

(1) Transcript, Volume I, p. 49

Retail Prices in Canada and the United States

Evidence available to the Board indicates clearly that the retail price of pleasure craft in Canada, whether domestically-produced or imported from the United States, can be as much as 35 to 40 per cent higher than in the United States. One major factor which contributes to such higher retail prices is the level of the tariff protection provided to domestic producers. The tariff is 17½ p.c., M.F.N., for most types of pleasure craft; for pleasure craft over 30 feet in length, the rate is 25 p.c., M.F.N.

The federal sales tax also adds to the disparity between Canadian and United States retail prices for pleasure craft. This tax amounts to 12 per cent on the manufacturer's selling price. There is no comparable tax in the United States. The impact of the federal sales tax on retail prices for imported pleasure craft is higher because the federal sales tax is imposed on the duty-paid value of the craft: thus the 12 per cent tax adds 14.1 per cent and 15 per cent, respectively, to the United States manufacturer's invoice price, depending on whether the 17½ p.c., M.F.N., or the 25 p.c., M.F.N., rate applies.

Providing for dealer and/or distributor discounts in the form of discounts off retail price can also increase the difference between retail prices for pleasure craft in Canada and the United States, because the discounts are calculated on the higher suggested retail prices in Canada. In the model given in Table 5.18, it is shown that whereas a 30 per cent discount off retail price yields a dealer's margin of \$36.47 for the boat sold in the United States, it yields a dealer's margin of \$48.00 for the identical boat sold domestically (whether the boat is made in Canada or in the United States).

Higher average transport costs from the manufacturer to the purchaser can also result in higher retail prices for pleasure craft in Canada. This would be the case because, due to the physical size of the Canadian market, the 184 or so pleasure craft producers in Canada are much more dispersed in relation to the market than their United States competitors; this would suggest that, on average, a craft produced in Canada must cover a longer distance to market, resulting in an additional cost to the Canadian boat purchaser. As indicated in a previous section of this chapter, it appears that in some important instances at least (e.g., cross-country transportation), the schedule of transport rates are lower in the United States than in Canada.

Another factor in the comparison of the cost of pleasure craft to consumers in Canada and the United States is the incidence of provincial or state, and local retail sales taxes. In Canada, all provinces except Alberta levy a retail sales tax with rates varying from 5 to 8 per cent; the nine provinces concerned had 92.2 per cent of the population of Canada at the time of the 1971 census.

The situation in the United States is somewhat more complex. As of July 1, 1974, forty-five states and the District of Columbia levied retail sales taxes; on boats, these rates varied from 2 to 6 per cent. At the time of the 1970 census, these jurisdictions held 97.8 per cent of the population of the United States. In addition, in twenty-four states, with 64.6 per cent of the population, local jurisdictions, cities or counties, or both, also levy retail sales taxes. Consequently, in twenty-seven states and the District of Columbia, with 69.0 per cent of the population, there are retail sales taxes at levels comparable to those in Canada.

The American purchaser of a pleasure craft has, however, one advantage over the Canadian purchaser. Amounts paid to the state or local authorities in retail sales taxes are deductible when he calculates his federal income tax; such is not the case in Canada. On average, it is likely that provincial retail sales taxes in Canada fall a little heavier on the Canadian purchaser of a pleasure craft than do state and local retail sales taxes in the United States.

CHAPTER VI: EXTERNAL TRADE IN PLEASURE CRAFT

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CHAPTER VI: EXTERNAL TRADE IN PLEASURE CRAFT

INTRODUCTION

This chapter commences with an analytical discussion of the major trends in Canadian trade in pleasure craft to the extent that this is made possible by the aggregate trade statistics available. Much of the chapter is devoted to an examination of the nature of Canada's external trade in pleasure boats as revealed in more detailed data collected by the Board for the year 1971. Import and export trade are discussed on the basis of type of craft, Canadian importing and exporting regions, country of destination and country of origin. Relevant statistical tables are provided both in this chapter and in the appendix.

The chapter also describes the Domestic International Sales Corporation (DISC) Program established in the United States as well as various Canadian government programs, and how they relate to the pleasure craft industry.

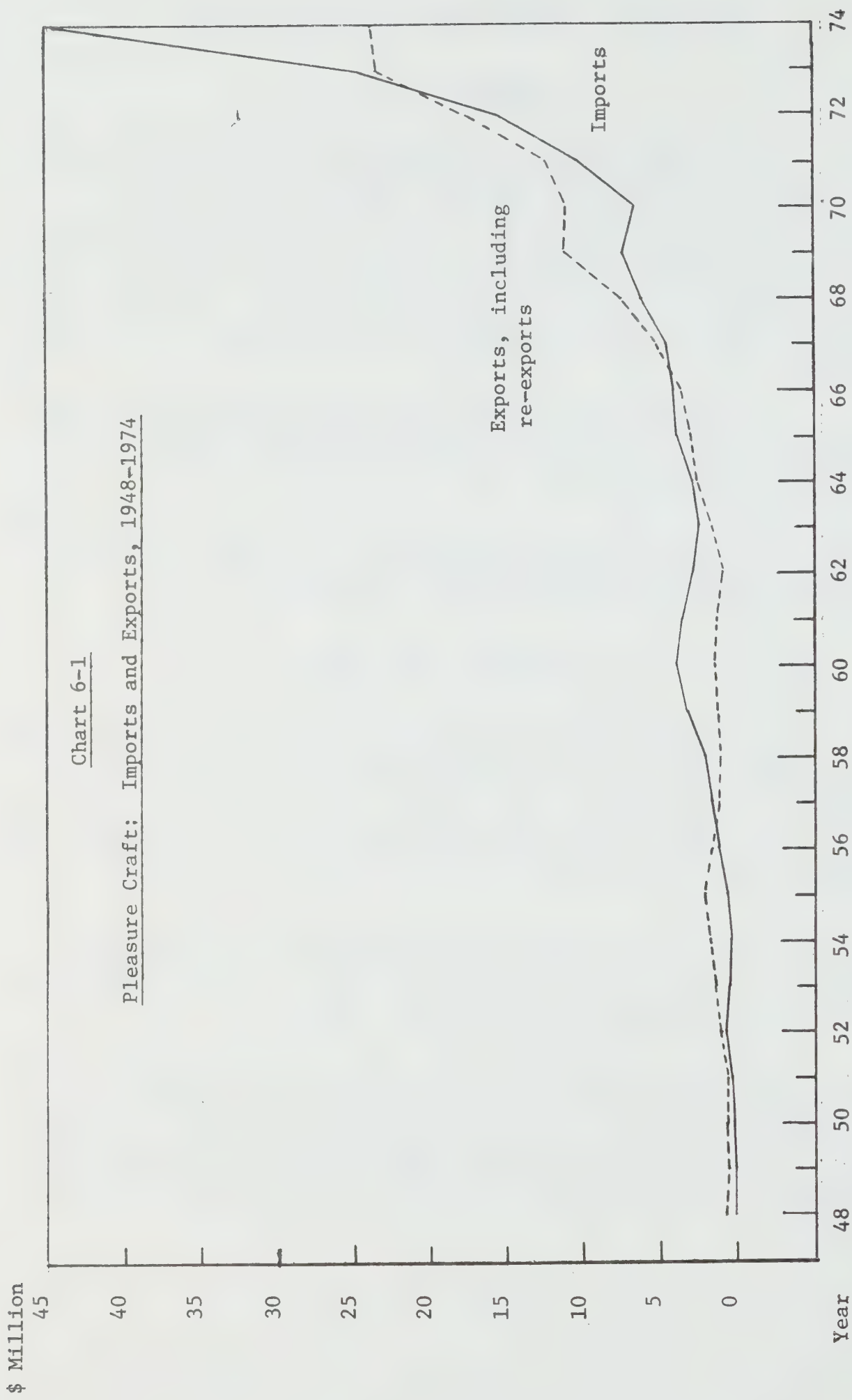
A brief section is also included on the impact of changes in Canada-United States exchange rates. A final section of the chapter serves to emphasize more recent trade developments.

AN ANALYSIS OF TRADE TRENDS

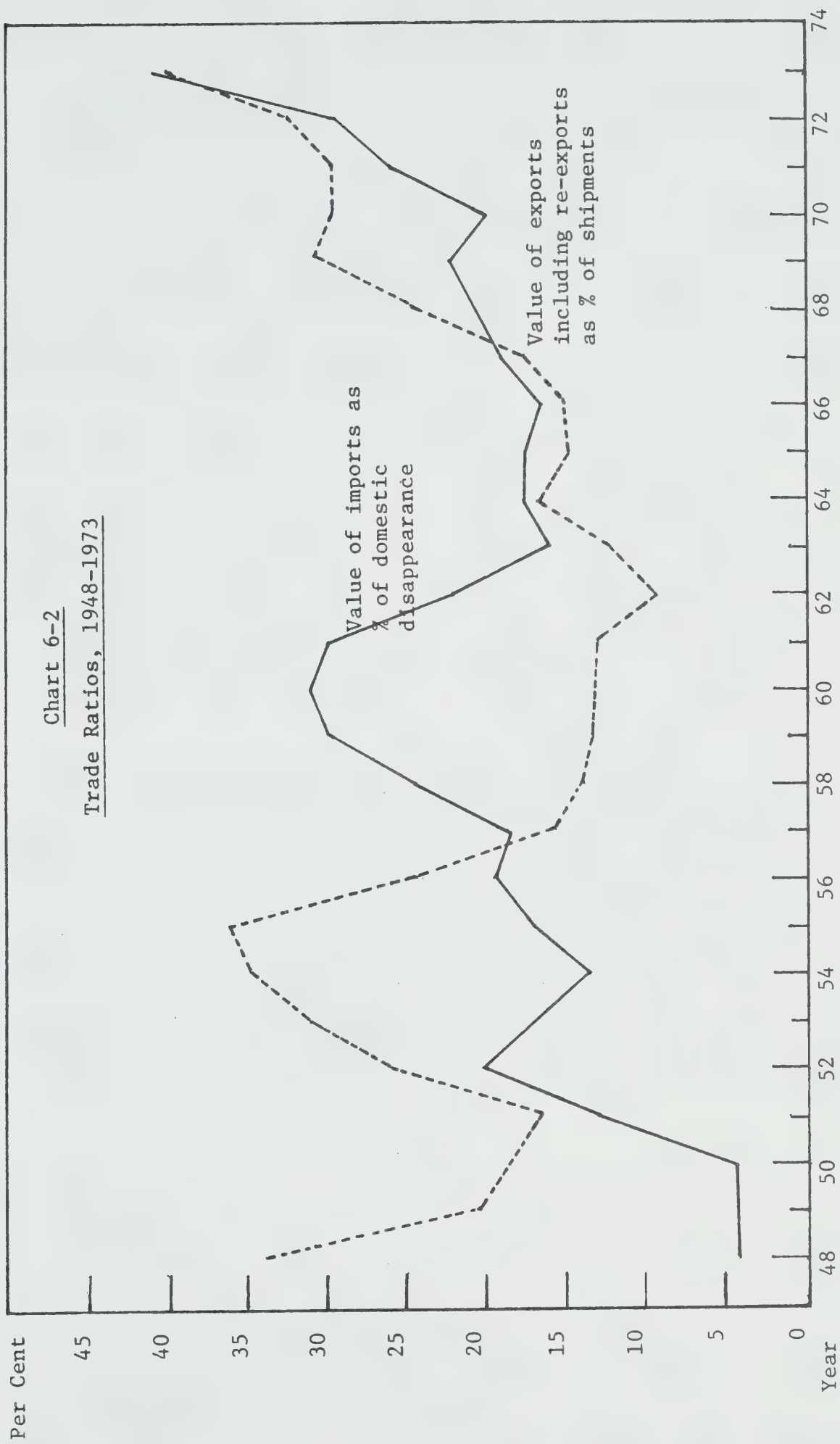
While the level of trade in pleasure craft, including both imports and exports, was minimal during the 1940's and for most of the 1950's, such trade has since expanded rapidly. Chart 6-1 traces this development from 1948 to 1974. From 1948 to 1956, exports exceeded imports by a small amount. The situation was reversed for the next ten years. From 1968 to 1972, Canada again experienced a trade surplus in pleasure craft, with exports exceeding imports by as much as \$4.4 million in 1970.

Trade patterns have, however, changed dramatically since 1972; in 1973, a small deficit (\$0.8 million) was recorded and in 1974, as a consequence of a pronounced upsurge in imports, imports of pleasure craft exceeded exports by \$20.8 million.

In 1972 and 1973 both imports and exports increased sharply: imports of pleasure craft rose by 48 and 58 per cent, respectively, while exports expanded by 40 and 35 per cent, respectively. In the year 1974, however, export levels remained nearly static, rising less than 2 per cent; on the other hand, imports nearly doubled in volume, resulting in a large deficit in contrast to the surpluses of earlier years.



Source: Statistics Canada



Source: Statistics Canada

Chart 6-2 illustrates the ratio of the domestic market supplied by imports and the percentage of domestic production exported. For the 1965 to 1973 period, while Canadian pleasure craft producers lost a portion of the home market to import competition, a parallel and compensating rise in the ratio of domestic production exported also took place. As can be seen, the import share of the domestic market rose steadily from 17.5 per cent in 1965 to 41 per cent in 1973. The Allied Boating Association of Canada drew attention to this market penetration in its brief to the Board.⁽¹⁾ However, over the same time period, domestic producers expanded their exports from 15 per cent of factory shipments to about 40 per cent. The trends in trade have not been the same for all sectors within the pleasure craft industry: certain sectors have been much more exposed to import competition than others, and still others, chiefly the sailcraft sector, have become more export-oriented. In Chart 6-2 swings of a considerable amplitude are evident for the years prior to 1960. It should be noted that in these years the production and market base was relatively small and, consequently, even modest changes in trade volumes tend to result in very large fluctuations in the ratios illustrated.

While final data are not available, projection of the above ratios can be made for the 1974 year. In 1974, imports are estimated to have taken about 50 per cent of the domestic pleasure craft market, up further from the sharply higher level of 41 per cent in 1973; in 1974 it appears that, on the basis of general information available to the Board, domestic shipments increased only slightly while imports nearly doubled. While the degree of import competition increased sharply, the proportion of domestic production exported diminished somewhat from the level in 1973.

As already explained, the Board was able to develop, from its own trade analyses, a detailed picture of the composition - by type of craft - of both imports and exports of pleasure craft in the year 1971. The results of these studies were introduced briefly in Chapter III; they are presented in greater detail in the following section. Unfortunately, only partial information is available concerning the composition of imports and exports in other years because of insufficient statistical data. Thus an analysis of trends in the composition of imports and exports over a number of years is made difficult. Still, an analysis of imports by tariff items, and by the commodity classification used in statistical reporting, yields some useful indication of the types of pleasure craft imported and exported in recent years.

(1) Brief of Allied Boating Association of Canada, 11 February, 1972, paragraph 5.07

A partial view of the type of pleasure craft imported from 1968 to 1974 is provided in Table 6.1 which sets out imports by tariff item. Data prior to 1968 are not comparable because of major changes made in the tariff structure in 1968. It should be pointed out that total imports as given below do not precisely conform to import totals presented elsewhere in this Report for certain statistical reasons.⁽¹⁾

Table 6.1: Imports of Pleasure Craft, by Tariff Item, 1968-1974

Year	Tariff Item 44002-1		Tariff Item 44003-1		Tariff Item 44004-1		Total
	As		As		As		
	Value \$'000	Per Cent %	Value \$'000	Per Cent %	Value \$'000	Per Cent %	
1968	779	16.7	2,868	61.4	1,021	21.9	4,668
1969	1,077	16.8	3,313	51.7	2,005	31.3	6,395
1970	1,093	18.3	2,888	48.3	1,997	33.4	5,978
1971	1,969	21.5	3,951	43.2	3,220	35.2	9,140
1972	2,470	18.7	5,274	39.9	5,467	41.4	13,211
1973	2,619	11.5	8,131	35.6	12,108	53.0	22,857
1974	6,016	14.2	12,724	30.0	23,654	55.8	42,394

Source: Derived from Statistics Canada data

It is evident that craft entered under tariff item 44002-1 have diminished in relative importance. Imports under this item consist chiefly of power cruisers of over 30 feet, as well as other boats over 30 feet, such as auxiliary-powered sail-boats and house-boats. Thus imports of large "luxury" craft are not of great importance in explaining the growth in imports since 1968. On the other hand, craft entered under item 44004-1 have clearly contributed most to the growth in imports of pleasure craft. This tariff item comprises principally power cruisers of 30 feet and under, as well as the larger inboard/outboard runabouts. In so far as identification is possible, it is powercraft of these categories which appear to have accounted for most of the increase in imports since 1968. While auxiliary sail-boats of 30 feet and under are also entered under item 44004-1, imports of such craft are relatively small if one accepts the breakdown of imports arrived at by the Board for 1971.

(1) Import totals given elsewhere in this Report are derived as commodity class totals inclusive of all recorded tariff items. The import statistics shown in Table 6.1 include entries under items 44002-1, 44003-1, and 44004-1 only for the relevant two commodity classes. Furthermore, adjustments have been made to exclude imports of inflatable toy rafts and certain water-borne craft entered under these items but not considered to fall within the scope of this Reference. See Table 8.2, Chapter VIII, and the accompanying text, for a more complete treatment of imports according to tariff item.

Imports under tariff item 44003-1 have also risen markedly; but they include a multiplicity of craft and conclusions are much more difficult. According, again, to the Board's data for 1971, imports under this tariff item would include outboard runabouts (40 per cent), utilities (20 per cent), inflatables (20 per cent), and non-auxiliary sailcraft (15 per cent). On the basis of all the information available to the Board, it seems that outboard runabouts have comprised most of the import growth exhibited, although imports of utilities and inflatables probably increased as well. Over-all, viewing the increases in imports under both tariff items 44003-1 and 44004-1, it can be said that the increase in powercraft imports, that is, smaller (less than 30 feet) power cruisers, inboard/outboard runabouts, and outboard runabouts, has most probably been the main reason for the approximate tenfold increase of pleasure craft imports during the last six years. Moreover, on the assumption that the composition of imports has not changed greatly since 1971, it seems likely that the recent, and very pronounced, deficit in pleasure craft trade was due primarily to a further expansion of powercraft imports.

Current Canadian statistics on exports of pleasure craft provide a breakdown between self-propelled pleasure and sporting craft (commodity class 591-58), sailing-craft (commodity class 591-63), and other, presumably not self-propelled, pleasure and sporting craft (commodity class 591-69). Class 591-63, covering all sailcraft exports, was established in 1973; such sailcraft exports were previously included under commodity class 591-69. A more complete record of exports than is presented in Table 6.2 is contained in Appendices A.13, A.14, and A.15.

Table 6.2: Pleasure Craft Exports by Commodity Class,
Selected Years, 1960-1974

Year	Exported Under Commodity Class 591-58(a)	Exported Under Commodity Class 591-63(b) - \$ million -	Exported Under Commodity Class 591-69(c)	Exports Total
1960	.3	-	1.0	1.3
1965	1.2	-	1.7	2.9
1970	4.9	-	6.0	10.9
1971	4.2	-	8.1	12.3
1972	5.1	-	12.1	17.2
1973	6.2	14.9(d)	2.2	23.3
1974	5.7	16.1	1.8	23.7

(a) "Pleasure and sporting craft, self-propelled"

(b) "Sailing craft"

(c) "Pleasure and sporting craft, n.e.s."

(d) Commodity class 591-63 previously included under 591-69

Source: Statistics Canada

For the 1960-1974 period, exports under commodity class 591-58 - "pleasure and sporting craft, self-propelled", - rose significantly.

Sailcraft exports, first recorded separately in 1973, totalled \$14.9 million in that year. According to Statistics Canada trade data, therefore, sailcraft exports accounted for 64 per cent of all pleasure craft exports in 1973. In 1971, according to the Board's analysis, sailcraft accounted for 65 per cent of total pleasure craft exports suggesting that the composition of exports probably altered little between 1971 and 1973. It should be pointed out, however, that, as derived from Table 6.2, sailcraft exports in 1974 comprised a slightly higher proportion of exports, at 68 per cent; this figure gives some indication that the export performance of Canada's pleasure craft industry is recently becoming even more reliant on the sailcraft sector.

In 1974, as noted previously, export growth diminished greatly. While sailcraft exports again expanded in 1974, by about 10 per cent, the 1974 export expansion of this sector may be presumed as being much less than in prior years. Exports under commodity class 591-58, furthermore, show in 1974, for the first time, a decrease, some \$0.5 million.

TARIFF BOARD ANALYSES OF IMPORTS AND EXPORTS

Imports by Product Group

Import data provided by Statistics Canada are quite highly aggregated as all pleasure boats are entered under three commodity classes only, and prior to 1973 under two only.⁽¹⁾ Although imports are also coded according to tariff item, imports so classified do not provide detailed information concerning the main types of boats currently being imported. Therefore the Board undertook a detailed study of imports based on customs entry documents. This study covered the 12-month period from March 1971 to February 1972, inclusive.⁽²⁾ The Board found that, for that period, imports of pleasure craft totalled \$9,692,000. This compares with total imports of \$10,963,000 recorded by Statistics Canada. Thus, the Board's study resulted in an apparent undercount of about 12 per cent (\$1,271,000), chiefly because not all documents were available for inspection at the time the survey was conducted. Despite the apparent undercount and shifts since 1971 in the relative importance of the various types of pleasure craft imported, the results of the Board's import survey, summarized below, are thought to give a reliable picture of the composition or mix of pleasure craft currently being imported.

-
- (1) Commodity class 591-58, "Pleasure and sporting craft, self-propelled", class 591-69, "Pleasure and sporting craft, not elsewhere specified" and, beginning in 1973, commodity class 591-63, "Sailing craft". Although boats are also entered under class 591-99, "Ships and boats, n.e.s.", the Board was informed that this commodity class includes only commercial boats.
 - (2) Customs documents are retained for a 12-month period only and were not available for the complete 1971 calendar year.

Table 6.3: Imports of Pleasure Craft by Product Group,
March 1971 to February 1972, Inclusive

Type of Boat	Quantity No.	Value \$'000	Unit Value \$	Percentage of Total	
				Quantity %	Value %
Canoes	434	64	148	0.7	0.7
Utility-boats	4,611	778	169	7.4	8.0
Runabouts:					
Outboard	1,836	1,466	798	2.9	15.1
Inboard/Outboard ^(a)	625	1,393	2,229	1.0	14.4
Inboard	7	44	6,227	*	0.4
Total Runabouts	2,468	2,903	1,176	3.9	29.9
Sail-boats:					
Non-ballasted ^(b)	1,982	385	194	3.2	4.0
Ballasted, Non- auxiliary	66	186	2,821	0.1	1.9
Ballasted, Auxiliary	63	534	8,472	0.1	5.5
Unspecified	47	39	821	0.1	0.4
Total Sail-boats	2,158	1,143	530	3.5	11.8
Power Cruisers ^(a)	372	3,446	9,263	0.6	35.6
Other Boats:					
Inflatables	49,553	743	15	79.3	7.7
Other ^(c)	577	292	506	0.9	3.0
Total Other Boats	50,130	1,035	21	80.2	10.7
Unidentified ^(d)	2,323	324	139	3.7	3.3
<u>Total All Craft</u>	62,496	9,692	155	100.0	100.0

(a) Includes "blanks" (boats imported without their engines)

(b) Includes sail-boards

(c) All multihull sailcraft, houseboats, pedal-boats, pontoon-boats, scooters, etc.

(d) Pleasure boats not identified due to lack of descriptive information

Source: Tariff Board Import Analysis

While the above data are largely self-explanatory, the major conclusions presented should be indicated. As shown, Canada's imports in 1971 of pleasure craft were, in value terms, comprised predominantly of powercraft - runabout and power cruiser imports constituted two thirds of all imports surveyed. Sail-boat imports ranked a distant third in order of importance, followed by utility-boats and inflatables. With reference to runabout imports, outboard models clearly predominated by number of units but only slightly exceeded inboard/outboard imports on a value basis. The average unit values given for inboard/outboards (\$2,229) and power cruisers (\$9,263), is somewhat understated because

some of these craft, for tariff reasons, are often brought in as "blanks", that is, without their motors or engines - the cost of these power units is anywhere from \$2,000 and up. As mentioned elsewhere, import data include used craft. A number of used power cruisers entered in the period studied, often valued at only a small proportion of their original price. This is also reflected in the average unit value shown for power cruisers.

Table 6.3 also shows that most of the sail-boats entered into Canada are non-ballasted sailcraft, made up primarily of small and less expensive day sailers. Non-ballasted sail-boats (including sail-boards) in 1971 accounted for over 90 per cent of sail-boat imports by number; however, these sailcraft, with an average unit value of \$194, represented only a third of the sailcraft imports in value terms. Canada imports a small number of ballasted sailcraft which, on a total value basis, are more important than imports of non-ballasted craft.

Canada imports, also, very large numbers of inflatable craft. While some of these are relatively large and are built for use with an outboard motor, the bulk of these imports consists of small and inexpensive rafts and floats which may not constitute pleasure craft as such; the average unit value is only \$15. The inclusion of these inflatables distorts some of the totals and percentage comparisons given. If inflatables are excluded from the totals shown, powercraft imports account for 71 per cent of imports by value and 22 per cent by number, compared with 66 per cent and 4.5 per cent when inflatables are included. Imports of utility-boats are large in number but accounted for only 8 per cent of the total value of imports in the period studied.

Supplementary information describing the type of pleasure craft entered into Canada, as based on the Board's analysis of imports, is provided in Appendix A.9. The main points revealed in this additional data are as follows:

Smaller Craft - Eighty-one per cent of the total number of canoes, and 92 per cent of the utility-boats imported, were aluminum craft.

Outboard Runabouts - By value, only 14 per cent of those entered were under 15 feet in length. This appears to substantiate the views expressed by members of the Canadian pleasure craft industry that import competition is mainly in the larger models of runabouts. By number, slightly more aluminum outboards were entered than FRP outboards.

Inboard/Outboard Runabouts - Imports of FRP inboard/outboard runabouts outnumbered aluminum I/Os three to one. Imports of straight inboard models were negligible.

Small Non-Ballasted Sailcraft - These accounted for a high proportion of the number of all sail-boats imported. Ninety per cent of all non-ballasted sail-boat imports were small sailcraft of less than 15 feet in length. Most of these, in turn, were of thermoformed plastic construction.

Ballasted Sailcraft - Most imports without auxiliary power fell into the 20- to 26-foot category. Imports of auxiliary sailcraft were mainly in the 26- to 31-foot category. Almost all ballasted sail-boats entered were of FRP construction.

Boats of Over 30 Feet - In value terms these accounted for almost 60 per cent of power cruiser imports. Power cruisers under 25 feet comprised the most important category by number, however. Most power cruisers imported were of FRP construction; a significant portion of the smaller (less than 25 feet) power cruisers entered was of aluminum construction.

Exports by Product Group

The Board surveyed Canadian pleasure craft producers to obtain more detailed information on the types of pleasure craft exported. Thirty-nine companies were included in this export study which was part of the Board's industry survey. The foreign shipments reported by these companies totalled approximately \$11.0 million, a figure equal to 90 per cent of total pleasure craft exports reported for 1971 by Statistics Canada.⁽¹⁾ It is felt, therefore, that the results of the Board's survey, tabulated in Table 6.4, are quite representative.

Table 6.4: Exports of Pleasure Craft, by Product Group, 1971

<u>Type of Boat</u>	<u>Quantity</u>	<u>Value</u> ^(a)	<u>Unit</u>	<u>Percentage of Total</u>	
	No.	\$'000	Value \$	<u>Quantity</u> %	<u>Value</u> %
Canoes	2,424	348	143	36.2	3.2
Utility-boats	940	105	112	14.0	1.0
Runabouts	290	152	523	4.3	1.4
Sail-boats					
Non-ballasted	919	784	853	13.7	7.2
Ballasted,					
Non-auxiliary	225	1,104	4,908	3.4	10.1
Ballasted,					
Auxiliary	276	5,248	19,014	4.1	47.9
Total	1,420	7,136	5,025	21.2	65.2
Power Cruisers	74	2,617	35,367	1.1	23.9
Other Boats	1,557	594	381	23.2	5.4
<u>Total All Craft</u>	6,705	10,952	1,633	100.0	100.0

(a) Value of shipments, f.o.b. plant

Source: Based on Tariff Board Industry Survey

(1) Export sales surveyed by the Board staff totalled \$10,951,667. Pleasure craft exports in calendar 1971, as published by Statistics Canada, was \$12,283,000 (including re-exports of \$321,000). These export totals are not strictly comparable as in the Board's study some export data were reported on a fiscal, rather than a calendar, year basis.

Canadian pleasure craft exports are dominated by sailcraft, which, as indicated, constitute about 65 per cent, by value, of all foreign shipments. Power cruiser exports, representing 24 per cent, rank a distant second. Foreign sales of all other types of pleasure craft combined account for only 11 per cent of all pleasure craft exports.

Canoes comprise the most important export category among the smaller boats. The value of exports of utility-boats and runabouts is very small. Almost all runabouts exported were of the outboard type; exports of I/Os or stern-drive models were negligible in 1971. All of the utility-boats exported were of FRP construction. By value, ballasted, or permanent-keel sailcraft with auxiliary power comprise the bulk of sail-boat exports. Sail-boats in this category, which were all over 26 feet in length and of FRP construction, accounted for \$5.2 million, or about 75 per cent of all sail-boat exports surveyed. Exports of "other boats" include mostly houseboats and pedal-boats. Canada exports a sizable number of pedal-boats and this largely accounts for the fact that "other boats" represented about 23 per cent of total exports by quantity.

Trade by Product Group Compared

The 1971 breakdown of pleasure craft imports and exports reveals that the types of craft imported differ greatly from the types exported. Canada imports principally powercraft, runabouts and power cruisers, whereas exports are composed chiefly of sailcraft. Table 6.5 serves to highlight the net trade position of the main sectors of the Canadian pleasure boat industry.

Table 6.5: Pleasure craft: Selected Trade Comparisons, 1971

	Estimated Trade Surplus (Deficit) \$'000	Value of Imports as Per Cent of Domestic Market %	Value of Exports as Per Cent of Domestic Shipments %
Canoes	322	2	12
Utility	(708)	17	3
Runabouts	(2,913)	19	1
Sailcraft	6,790	15	54
Power Cruisers	(725)	49	44
Other Boats	(433)	46	34
<u>Total(a)</u>	1,989	24	28

(a) Includes imports of unidentified boats valued at \$344,000

Source: Based on Tariff Board Industry Survey, Tariff Board Import Analysis, and Statistics Canada data

On a net trade basis (exports less imports), it is apparent that the runabout sector of the Canadian industry, in particular, competes poorly in the North American market. Imports of runabout models were calculated at about \$3 million in 1971 and, with few offsetting exports, there was a trade deficit of \$2.9 million in that year. The ratio of exports to domestic production for the runabout sector was conspicuously small, only 1 per cent, while imports, in that year, took 19 per cent of the Canadian market.

Imports exceeded exports of power cruisers by an estimated \$725,000. The level of trade between Canada and the United States in power cruisers was relatively high, with a large part of the trade being done by one company, Shepherd Boats, Ltd. Mention has already been made, and more will be said in Chapter VIII, concerning the arrangement whereby the company's production was confined almost exclusively to one model, mostly exported, while its requirements of all other models of cruisers for the Canadian market were imported. The arrangement entered into by this large Canadian power cruiser manufacturer and an affiliated boat-builder in the United States, explains the high share of the Canadian power cruiser market supplied by imports, 49 per cent, and the equally high proportion of domestic production exported, 44 per cent.

Canadian trade in utilities in 1971 resulted in a deficit of some \$708,000. This deficit was almost entirely determined by the level of imports, because, as with runabouts, exports were small. It was incurred in trade in aluminum utilities; according to the Board's survey, Canadian producers of aluminum utility-boats did not export at all in 1971, while aluminum utilities accounted for almost all of the utility-type craft imported.

The deficit on trade in "other" pleasure craft was due to the surprisingly high dollar volume of inflatables entering Canada.

Canada's over-all trade surplus in pleasure craft, about \$2 million, was due, quite obviously, to its export-oriented sailcraft industry. Canadian sailcraft producers exported 54 per cent of their total production. Within the sailcraft category, large auxiliary-powered sail-boats alone accounted for net exports calculated at \$5.3 million. Seventy per cent of Canada's auxiliary sail-boat production in 1971 was exported.

Finally, Table 6.5 also shows that pleasure craft of foreign origin - mostly from the United States - accounted for about one quarter of domestic sales by dollar value. At the same time, some 28 per cent of pleasure boat production was exported.

There are, of course, a number of reasons why Canadian trade in pleasure craft is structured as described above.

As discussed in Chapter IV, the United States pleasure boat industry generally enjoys a competitive advantage over the Canadian industry because of cheaper raw materials and components, a larger home market offering an opportunity for longer production runs and much higher volume and, hence, economies of scale in carrying labour, overhead, marketing, distribution and other costs. These advantages generally mean that the United States producer can produce and market

at a lower price than the Canadian producer, and that the Canadian producer can enter the large United States market only on the basis of distinctive design or styling, quality and reputation. In the case of utilities this opportunity normally does not exist because design and style play only a minor role in the marketing of utility-type of craft. While the North American market for runabouts and power cruisers has in fact been based on design and style to a large degree, United States producers have demonstrated a clear leadership in this area. For these reasons, not only have Canadian utility and runabout producers been unable to penetrate the United States market to any great extent, but they have also faced a significant degree of competition in the domestic market from United States producers, despite an import duty of 17½ p.c., M.F.N.

With respect to sailcraft, however, it appears that Canadian producers have successfully developed a market in the United States by specializing in high-priced, "top of the line", sail-boats - a market where direct price competition with United States producers is minimized. From interviews with members of the Canadian sail-boat industry it was evident that marketing in the United States was conducted largely through emphasis on quality and craftsmanship rather than price, whereas the typical United States sail-boat manufacturer is described as producing for a mass market. The large, auxiliary-powered units which comprise such a large share of Canadian export sales, were said to feature first-class design and extensive interior and exterior finishings not normally provided by United States competitors. In the United States sail-boat market, which accounts for 99 per cent of Canada's export sales, Canadian-made sailcraft therefore seem to fulfil a rather select demand for a certain type of product and, in so doing, avoid direct competition with low cost United States producers which otherwise enjoy major competitive advantages.

Canada's sail-boat companies have achieved a capacity for independent design. This has given them, in the United States market, a certain measure of product differentiation which also minimizes price competition. In the powercraft field, particularly with respect to runabouts, Canada evidently has no comparable advantage in styling or production differentiation. Some of these points were noted, in a statement believed to be a representative viewpoint of the Canadian industry, by the president of the Allied Boating Association:

"The sailboat field is one where design is extremely important. The performance of the boat is extremely important and the Canadian sailboat manufacturers have done an outstanding job of coming up with performing boats that have been accepted and recognized not just in Canada but internationally ... in the racing that has occurred, like the S.O.R.C. [Southern Ocean Racing Conference], for example, Canadian manufacturers and maybe specifically C & C [Yachts Manufacturing Ltd., Niagara-on-the-Lake] have proved themselves with an enviable record. ... Power boating doesn't have this, let's say, insistence on a top design and there are many runabout builders where it is hard to tell one from another."⁽¹⁾

(1) Transcript, Volume I, p. 79, 80

Regional Aspects of Imports

The results of the Board's import survey, showing pleasure craft imports by region, are shown in Table 6.6:

Table 6.6: Pleasure Craft Imports by Region^(a), 1971

<u>Region</u>	<u>Quantity</u>	<u>Value</u>	<u>Unit</u>	<u>Percentage of Total</u>	
	<u>No.</u>	<u>\$'000</u>	<u>Value</u>	<u>Quantity</u>	<u>Value</u>
			<u>\$</u>	<u>%</u>	<u>%</u>
Atlantic Provinces	232	200	863	0.4	2.1
Quebec	17,111	1,459	85	27.4	15.1
Ontario	25,705	4,419	172	41.1	45.6
Prairies	2,207	861	390	3.5	8.9
British Columbia	17,241	2,753	160	27.6	28.4
Canada	62,496	9,692	155	100.0	100.0

(a) As much as possible, imports were classified by region of sale rather than by port of entry.

Source: Tariff Board Import Analysis

In terms of both quantity and value, Ontario and British Columbia were the principal importers of pleasure craft, accounting for close to 75 per cent of the total value of imports in 1971. In the case of Quebec there is a noticeable disparity between imports on a value basis versus imports on a quantity basis, as the average unit value of imports into this province was relatively low.⁽¹⁾ Information supplementary to Table 6.6, showing imports of pleasure craft both by region and by product group, is provided in Appendix A.10.

Information compiled by the Tariff Board shows that, on a value basis, the percentage distribution of pleasure boats imported into Canada's five principal regions is almost the same as each region's share of the Canadian market. This is illustrated below; thus, Ontario and British Columbia with 74 per cent of the Canadian pleasure craft market, also accounted for 74 per cent of all imports.

(1) As noted elsewhere, unit values include a large number of inexpensive inflatable craft which greatly distort unit value results.

Table 6.7: Value of Pleasure Craft Imports, by Regions,
Expressed as Percentages, 1971

	Region's Imports As Percentage of Total Imports	Regional Distribution of Domestic Market	Imports as Percentage of Region's Market
	%	%	%
Altantic Provinces	2	4	13
Quebec	15	13	27
Ontario	46	46	24
Prairie Provinces	9	9	25
British Columbia	28	28	25
Canada	100	100	24

Source: Derived from data obtained from the Tariff Board Import Analysis and Tariff Board Industry Survey

The data in column 3 reveal that, with one exception, the level of import penetration into each region was roughly the same, ranging between 24 and 27 per cent, as against a national average of 24 per cent; the one exception was the Atlantic region, where imports as a percentage of that market were only about half as important.

The data presented in Tables 6.6 and 6.7 appear to contradict the view expressed by some members of the Canadian industry that certain geographic regions in Canada, such as British Columbia, are more exposed to import competition than others. However, the ratios provided in Table 6.7 do mask relatively higher imports of certain types of craft in certain regions. Thus, in 1971:

In the Prairie Provinces, the share of the regional market for utilities and runabouts which was supplied by imports was higher than the Canadian average. Twenty-eight per cent of the runabouts sold in the Prairie Provinces were imported compared with an average of 19 per cent for all provinces combined.

British Columbia accounted for an unusually high share - some 41 per cent - of all sail-boats imported into Canada. Thirty-seven per cent of all sail-boats sold in this province were of foreign origin as against an average of 15 per cent for all provinces. Imports into British Columbia comprised 63 per cent, by value, of total Canadian imports of auxiliary-powered sail-boats.

Imports accounted for 74 and 90 per cent, respectively, of the power cruiser markets in Ontario and Quebec. The Canadian average was 49 per cent.

Regional Aspects of Exports

Export data by Canada's five principal regions, according to the Board's industry questionnaire, are displayed below:

Table 6.8: Pleasure Craft Exports by Region, 1971

<u>Region</u>	<u>Quantity</u>	<u>Value</u>	<u>Unit</u>	<u>Percentage of Total</u>	
	No.	\$'000	Value \$	Quantity %	Value %
Atlantic Provinces	477	498	1,044	7.1	4.5
Quebec	4,047	1,615	399	60.4	14.7
Ontario	1,647	8,115	4,927	24.6	74.1
Prairie Provinces	516	127	246	7.7	1.2
British Columbia	18	586	32,580	0.3	5.4
Canada	6,705	10,952	1,633	100.0	100.0

Source: Based on Tariff Board Industry Survey

The prominence of Ontario's pleasure craft industry, in 1971, accounting for three fourths of the value of Canada's exports of pleasure boats, is again underscored in this table. Quebec's share was about 15 per cent. Ninety-seven per cent of the value of Ontario's export sales was comprised of sail-boats and power cruisers. Sail-boats (all non-auxiliary) and pedal-boats constituted 70 per cent of the value of Quebec's exports in 1971. Foreign shipments by this province were mostly of smaller, less expensive craft, as revealed by the rather low unit value of Quebec's exports, \$399 as against \$4,927 for Ontario.

Almost all of the exports shown for British Columbia were power cruisers or large auxiliary-powered sailcraft. The high unit value of exports reflects this, as well as the fact that, according to available information, British Columbia producers did not export small pleasure craft. On a value basis, sailcraft exports accounted for the bulk of exports indicated for the Atlantic Provinces. Canoes and utility-boats comprised most of the exports shown for producers in the Prairie region.

On a net trading basis, exports less imports, Ontario realized a surplus of \$4.4 million on foreign trade in pleasure craft, in 1971, and was the major factor in the Canadian net export position of \$2.0 million. Quebec and the Atlantic Provinces also had a modest surplus position in 1971. Imports however exceeded exports by a substantial margin for both British Columbia and the Prairie Provinces: the trade deficit of \$2.3 million for British Columbia was particularly large.

Imports and Exports by Country

According to the Board's import analysis, 82 per cent of all pleasure craft imports in 1971 originated in the United States.⁽¹⁾ The United States was also the destination of 98 per cent of Canada's pleasure craft exports. Appendix A.11 provides further data with respect to imports by country of origin and by product group. The data show that, with the exception of sail-boats, imports from the United States dominated all categories of pleasure craft imported; of total imports of canoes, 94 per cent was from the United States; for both utilities and runabouts, it was 99 per cent; and for power cruisers, 91 per cent. However, the United States supplied only 57 per cent of all sail-boat imports.

Virtually all Canadian exports of pleasure craft have gone to the United States market. There were small exports to the United Kingdom, Western Europe, and the West Indies. (See Appendices A.13 to A.15)

GOVERNMENT PROGRAMS AND TRADE IN PLEASURE CRAFT

Introduction

There exist a number of programs financed by governments in Canada and the United States, at the federal and/or provincial/state/municipal level, which have some effect, directly or indirectly, on the competitiveness of pleasure craft producers which participate. Although no conclusions can be drawn as to the over-all impact of those programs, it may be that one or more governmental programs are or have been relatively significant for some pleasure craft producers in certain circumstances. Also, although some of the existing federal programs are outlined below, they are treated in isolation and the listing presented is not exhaustive. It should be remembered, additionally, that these programs constitute only a part of a broader network of programs at the federal, provincial, state, or municipal level. The interaction of these programs, especially of those programs outlined below, has not been examined by the Board.

The United States DISC Legislation

The only United States program outlined in this Report is the so-called DISC program which was referred to specifically at the public sittings.⁽²⁾ In December 1971, the United States Congress enacted the 1971 Revenue Act which provided for favourable tax treatment to United States firms on profits derived from export sales. A manufacturer could obtain these tax advantages by establishing a Domestic Industrial Sales Corporation (a DISC). The DISC program, together with a 10 per cent import surtax in force from August 15 to December 20, 1971, and a program permitting certain investment tax

(1) This compares very closely to the percentage of 80.6 obtained from Statistics Canada data for calendar 1971.

(2) Transcript, Volume I, p. 28

credits to industry, comprised the main part of the "New Economic Policy" implemented in the United States in 1971. Many Canadian pleasure craft manufacturers expressed concern that the impact of the "DISC" legislation would be to strengthen considerably the competitive position of United States pleasure craft producers in foreign markets, and to weaken the position of Canadian producers in the Canadian market. Although a full discussion of this complex issue and the implications of the DISC legislation is not possible in this Report, an attempt is made to outline the likely extent to which the legislation might affect Canada's pleasure craft industry.

A DISC in effect is the export organization of its parent company, the United States domestic manufacturer. In this role it buys from its parent company the goods to be exported and incurs all the related export promotion expenditures. Since the tax savings provided by the DISC legislation are based on the profits derived from export sales, an important consideration is the method of determining the price at which the ownership of the exported goods is transferred from the United States manufacturer to its DISC. Under the DISC legislation the transferred goods are "priced" in a way that allows the DISC to realize a prescribed amount of net, before-tax, income on its export sales.

There are two main methods of determining or "allocating" the prescribed amount of net, before-tax, income; the "4% rule" and the "50/50 rule". The 4% rule sets the transfer price of the goods to be exported at a level so that the "allocated" net, before-tax, income of the DISC will be equal to the sum of 4% of its export sales plus 10 per cent of its related export promotion expenses. The 50/50 rule sets the transfer price at a level so that the DISC is "allocated" a profit equal to 50 per cent of the taxable income obtained from its exports. The manufacturer can choose the method which provides him with the greater tax advantage. On the assumption that there are no export promotion expenses, a DISC would select the 50/50 rule when net, before-tax, profits on exported goods exceed 8 per cent; conversely, the 4% rule would be more advantageous when net, before-tax, profits are less than 8 per cent.

The favourable tax treatment provided by the DISC legislation consists of a deferral of tax payments by the manufacturer on half of the DISC profits "allocated" as described above. This deferral is under most circumstances, indefinite, and consequently can, in reality, be considered to be a tax exemption. In addition to that deferral, the legislation also includes a disincentive to foreign investment by the parent companies of the DISCs: the amount invested abroad by foreign subsidiaries of the parent company, and/or the amount invested abroad by the parent company itself, reduces by a corresponding amount the tax-free portion of the DISC's income.

The tax deferrals provided by the DISC program can benefit the United States manufacturer in a number of ways. First the tax savings can be retained to increase the level of after-tax profits; this would raise current profitability, increase cash flow and improve the financial liquidity of the DISC and its parent company, as the latter can obtain tax-free loans from its DISC. The tax savings can also be invested in additional export capacity or can be used for

the promotion and development of export markets. Moreover, the tax savings can be used to offer lower export selling prices. All these advantages, either directly or indirectly, enhance the competitive position of the United States manufacturer in foreign markets.

It is readily apparent that it is extremely difficult to measure the extent to which the over-all export position of the United States manufacturer has been improved by the DISC legislation. Calculations have, however, been made of the extent to which tax savings under the DISC legislation might permit the United States manufacturer to lower export selling prices. The model following gives the results of one such calculation.

Model of Estimated Possible Reductions in United States
Export Selling Prices Resulting from DISC Tax Savings

<u>Ratio of Before-Tax Profits to Export Sales</u> Per Cent	<u>Possible Reduction in U.S. Export Selling Prices</u> Per Cent
5	1.8
10	1.9
15	2.8
20	3.8
25	4.7

Source: Tariff Board estimates

As illustrated in the model, the possible impact of the DISC legislation on export selling prices depends on the profit margin realized on export sales. The estimated price reduction at the 5 per cent profit ratio was calculated on the basis of the 4% rule because it was, as explained above, more advantageous than the 50/50 rule. Conversely the 50/50 rule was used in the model, because it is clearly more advantageous, in the case of profit ratios of 10 per cent and higher.

It should be noted, in relation to profits "allocated" on export sales, that the DISCs are allowed a liberal interpretation of what may be included in the "cost" of the goods (in effect the transfer price), sold to and exported by a DISC. Thus the transfer price of the goods might be calculated to exclude the general overhead expenses of the parent company such as depreciation, research and development, and administration, with respect to the goods exported. Hence higher profits and greater tax savings for the DISCs might result, providing greater potential for lowering export selling prices.

DISC can affect the Canadian pleasure craft industry in several ways. The competitive position of Canadian pleasure craft exports can be weakened as against United States exports in third countries; this is not a significant consideration because, on the basis of current trade patterns, Canadian producers export almost exclusively to the United States. As regards the disincentive to investment abroad, which is part of the DISC legislation, it is

difficult to assess the possible impact such legislation might have on the foreign investment plans of corporate investors. The DISC program has been the subject of some controversy in the United States and may well be modified by future legislation. The existing program may also be modified as a result of forthcoming negotiations under the General Agreement on Tariffs and Trade. Thus at the present time, when the future of the DISC legislation is surrounded by considerable uncertainty, the impact of the legislation on long-term foreign investment decisions has probably diminished. However, in view of the general direction of the investment provisions, it can be assumed that it has become less attractive to expand the boat-building facilities of existing United States subsidiaries or to establish new subsidiary operations in Canada. This could be important in a number of respects: some would consider, for example, that additional boat-building capacity would be disadvantageous not only to the Canadian pleasure craft industry but also to broader Canadian interests in terms of foreign ownership; others would argue that, on the contrary, the DISC legislation, in throttling United States investments in Canada, has undesirable effects - they would argue that a United States parent company should not be discouraged from making new investments in Canada, especially, some would add, if there should result a rationalization of its North American operations and more Canadian production for the United States as well as the Canadian market. Be that as it may, the most immediate impact of the DISC legislation is probably the stronger position of United States pleasure craft producers in the Canadian market: DISC tax savings permit those producers to promote their products more vigorously in the Canadian market and allow them to offer lower selling prices; it might encourage others to enter the Canadian market for the first time.

As pointed out previously, the extent of the possible reduction in export selling prices resulting from tax savings under DISC legislation depends on the profits realized from export sales. The Board, however, did not obtain information on profits realized by United States pleasure craft producers on their export sales or, for that matter, on their pleasure craft manufacturing operations as a whole. It would appear, however, that, for all goods-producing industries in the United States, profits have averaged, in the early 1970's, between 7 and 8 per cent on sales, with an average for individual industries that ranged between 5 and 15 per cent. On the assumption that profitability on United States exports of pleasure craft is within that range, the DISC savings could permit a reduction in the selling price of pleasure craft exports to Canada of perhaps 1.8 to 2.8 per cent. In the event that export profits "allocated" to a DISC were to be determined in accordance with the "liberal interpretation" of costing provisions described above, then the profit rates might well average closer to 25 per cent of export sales, permitting a lowering of export prices by as much as some 4.7 per cent, as shown in Table 6.9.

While the preceding estimates indicate, very roughly, the extent to which export selling prices of United States pleasure craft could be reduced through DISC tax savings, the Board has no information concerning the amount by which these prices may actually have been lowered, or how much of the increase in the United States exports of pleasure craft to Canada since 1971 was attributable to the program in general. Nonetheless it appears reasonable to assume that the DISC

legislation has been an important factor in the recent upsurge in Canadian pleasure craft imports. Information available to the Board indicates that a large number of United States pleasure craft manufacturers have established a DISC, and that a sizable proportion of Canadian pleasure craft imports represent sales by those DISCs.

Canadian Government Programs

Governments in Canada provide a number of programs that have contributed to the development of the pleasure craft industry. The following summarizes the main federal government programs administered by the Department of Regional Economic Expansion, the Department of Manpower and Immigration and the Department of Industry, Trade and Commerce. The Board did not attempt a review of the programs provided by other levels of government.

Department of Regional Economic Expansion (DREE) - The Department of Regional Economic Expansion provides industrial development incentive in designated regions under the Regional Development Incentives Act.⁽¹⁾ The incentive can be a grant or a loan guarantee. Development incentives can be provided for modernizations and/or expansions of existing facilities or for new facilities.

From inception of the program in August 1969 to February 28, 1975, twenty-nine offers have been accepted by Canadian boat-builders, of which the largest number, by far, were pleasure craft producers. The twenty-nine projects involved estimated capital costs of \$7.3 million, with an estimated 935 jobs. The total value of the accepted offers was \$2.5 million. Twenty-one of the acceptances were for new facilities, the remainder for expansions of existing plants. Each offer consisted of a grant.

Provincially, fifteen offers of development incentives were accepted for projects located in Quebec, seven in Manitoba, three in New Brunswick, and two each in Nova Scotia and Ontario.

Department of Industry, Trade and Commerce - This department administers a number of assistance programs for Canadian industry. Boat-builders, principally pleasure craft producers, have qualified under five of these: the Program of Export Market Development (PEMD); the General Adjustment Assistance Program (GAAP); the Program for Advancement of Industrial Technology (PAIT); the Industrial Design Assistance Program (IDAP); and the Program to Enhance Productivity (PEP).

IDAP and PAIT have the general objective of encouraging companies to develop new and unique products that will help expand domestic and export markets. The specific objective of the IDAP is to improve the competitive position of Canadian industry by achieving improvement in the quality of industrial design of its products. Financial assistance under this program takes the form of 50 per cent of the operational and administrative costs of industrial design.

(1) The purpose of the Act is to provide incentives for the development of productive employment opportunities in regions of Canada determined to require special measures to facilitate economic expansion and social adjustment.

During the period April 1, 1970 to March 31, 1975, seven pleasure craft builders have received assistance under this program. The total amount of assistance received was \$196,000; on average, each participating firm received \$28,000. Two recipients were located in Ontario, two in the Atlantic region and one each in Quebec, British Columbia, and the Prairie region.

The objective of PAIT is to encourage industrial growth and efficiency by supporting the development of new or improved products and processes for commercial markets. Eligible companies normally receive a grant of 50 per cent of the cost of such developmental projects. Two pleasure craft producers have participated under this program from April 1, 1970 to March 31, 1975, one in British Columbia and one in Ontario.

The objective of the PEP is to encourage industrial growth and productivity by supporting studies to determine the feasibility of projects designed to enhance substantially the productivity or efficiency of companies. Assistance takes the form of a grant towards the cost of special studies, normally 50 per cent. There has been one pleasure craft producer located in British Columbia who has received assistance under this program.

The general aim of GAAP is to provide medium-term, last-resort financing to assist companies to take advantage of market opportunities. More specifically, the objective of this program is to assist Canadian manufacturing industry to improve its position in meeting international trade competition. Assistance can take the following forms: insurance of loans made by private lenders; direct loans by the government for manufacturers who qualify because of serious injury or threat of serious injury as a result of disruptive import competition; grants covering up to 50 per cent of the cost of consulting assistance to develop restructuring proposals. GAAP assistance has been provided to only one pleasure craft producer in Canada.

The Department of Industry, Trade and Commerce also administers a number of programs concerned with market development. The major objective of these programs is to bring about a sustained increase in the export of Canadian products by providing incentives in the form of repayable contributions to approved expenses that would otherwise inhibit marketing endeavours by Canadian companies.

One of these programs is PEMD. Twenty-four pleasure craft manufacturers have been approved for assistance under this program over the period April 1, 1971 to March 31, 1975. Fourteen of these were located in Ontario, six in Quebec, two in British Columbia and one each in the Atlantic and Prairie regions. The total amount of assistance approved is \$121,000 for an average of \$5,000 per approval. Claims by seventeen of the twenty-four approvals total, thus far, \$62,000.

Department of Manpower and Immigration - Establishments within the boat-building industry have received assistance through a number of federal manpower programs administered by the Department of Manpower and Immigration. Pleasure craft manufacturing is thought to have received the bulk of the support offered under these programs.

One of these programs is the Canada Manpower Industrial Training Program (CMITP). The general objective of CMITP is to stimulate the Canadian economy, reduce unemployment and improve productivity through the expansion and improvement of employer-centred training. The CMITP became operative on March 1, 1974, and combined the previous Training in Industry and Training on-the-Job Programs. These two programs, now the CMITP, have provided training assistance to the Canadian boat-building industry. Assistance to this industry under the Training in Industry Program amounted to \$221,000 over the period April 1, 1971 to March 31, 1974. Over the same period assistance to boat-builders, mostly pleasure craft producers, under the Training on-the-Job Program totalled \$1.5 million.

NON-TARIFF BARRIERS

The Board considered the possibility that non-tariff barriers might adversely affect the export operations of the Canadian pleasure craft industry. In the Board's industry survey, respondents were asked to comment on whether difficulties had been encountered in meeting any requirements of importing countries with respect to such matters as transport permits, licences, and safety specifications. No respondents cited problems in this regard, and, in personal interviews with industry members, only a very few exporters made reference to non-tariff regulations which might affect export sales. The Board concluded that there was little evidence of non-tariff restrictions on Canadian pleasure boat trade with the United States. Possible non-tariff restrictions in countries other than the United States were not examined; such trade is presently negligible.

In August of 1971, the President of the United States signed Public Law 92-75 giving the United States Coast Guard complete authority to establish safety regulations and standards applicable to all pleasure craft sold in the United States. Standards covering a boat's stability, flotation, maximum engine horsepower and capacity have recently been developed by the United States Coast Guard for most powercraft of 20 feet or less. Canadian exporters must comply with these recently-introduced regulations. They require that all manufacturers selling pleasure boats in the United States must attach to the boat a hull identification number giving the name of the manufacturer. The Canadian Ministry of Transport also requires that certain boats have a hull plate stating maximum recommended horsepower and load.⁽¹⁾ There is no suggestion that regulations recently established by the United States Coast Guard have been, or will be, applied in a discriminatory manner to exports by Canadian pleasure boat producers. Furthermore, the Canadian federal government has recently developed additional regulations respecting the operations of small craft, similar to those applicable in the United States; these are expected to be in force in 1976.

(1) This provision applies to boats of 16 feet or less, powered with a motor of 10 horsepower or more; it is not applicable to boats brought into Canada and operated by tourists.

EXCHANGE RATES

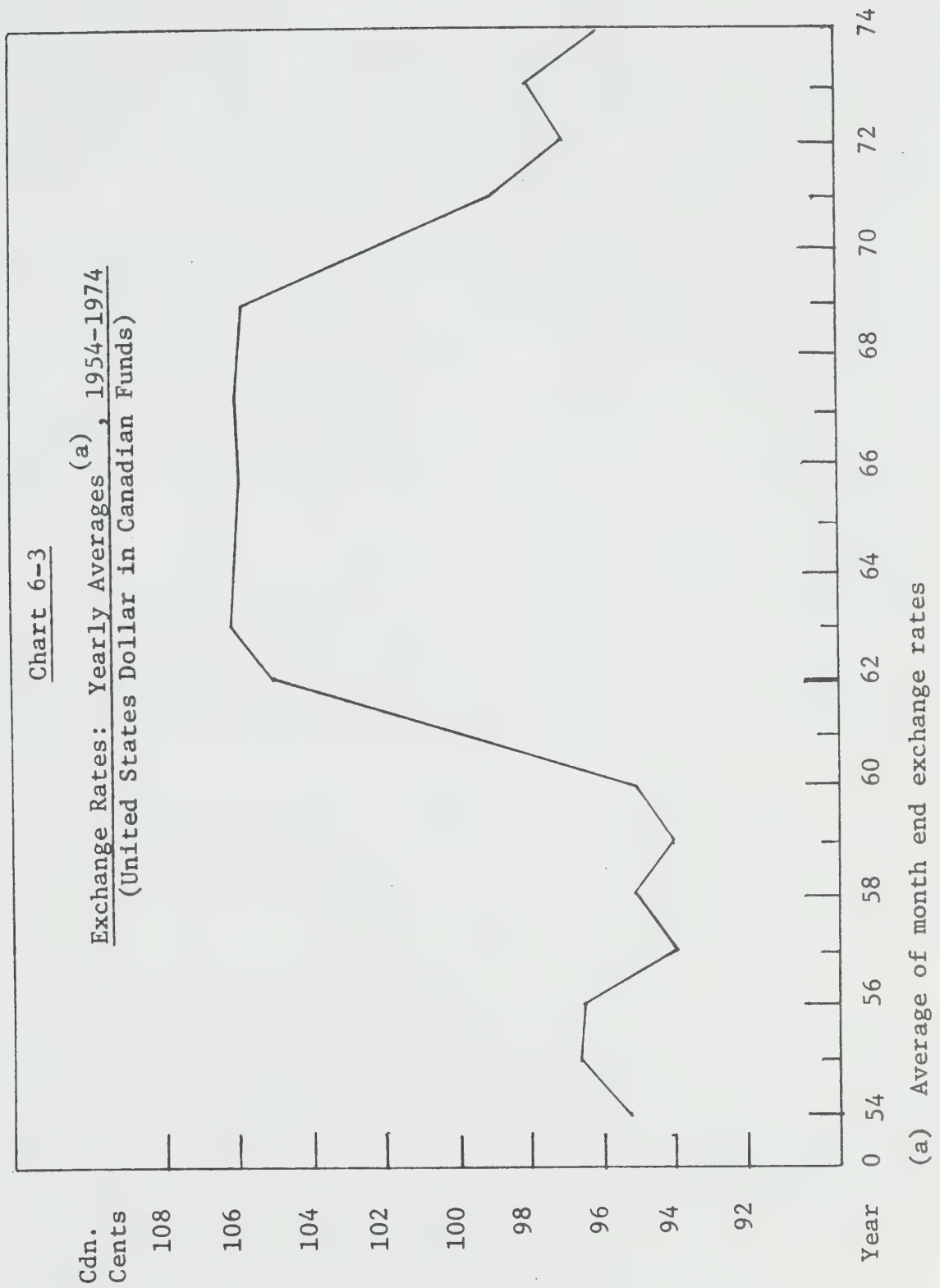
The brief of the Allied Boating Association, as well as others, pointed out that changes in Canada-United States exchange rates had severely affected the competitive position of the Canadian pleasure craft industry in both the domestic and export markets. It is evident from Chart 6-3 that the value of the United States dollar in Canadian funds has varied considerably over the period covered by the Chart, 1954 to 1974. During most of the 1960's the United States dollar was at a 7- to 8-cent premium over the Canadian dollar (from 1954 to 1960 it was the Canadian dollar which was at a premium). The relative weakness of the Canadian dollar from 1961 through 1971 favoured Canada's trading position, encouraging Canadian exports to the United States while at the same time making imports from the United States less attractive. This advantage was lost, and indeed reversed, when the Canadian dollar was left to float in 1969 and its value rose rapidly to reach a premium averaging about 2 cents in 1974.

Changes in Canada-United States exchange rates may be viewed as being similar, in effect, to an increase or a reduction in rates of customs duties. The appreciating value of the Canadian dollar as against the United States dollar in the last six or seven years, the United States dollar in 1968 cost \$1.08 Canadian and in 1974 it cost \$0.98 Canadian, has had the effect of reducing the Canadian tariff. Thus with respect to the 17½ p.c. M.F.N. Tariff, applicable to most pleasure craft imports into Canada, the "reduction" in the tariff has been from 17½ p.c. to approximately 7 p.c., a "reduction" of 10 percentage points; and with respect to the 25 p.c. M.F.N. Tariff, the equivalent "reduction" was from 25 p.c. to 14 p.c., a "reduction" of some 11 percentage points.⁽¹⁾ During the latter part of 1974 and the first half of 1975 the value of the Canadian dollar has, however, declined again; the cost of the United States dollar in July 1975 was around \$1.03 Canadian. While this recent revaluation of the Canadian dollar has favoured the trading position of pleasure craft producers, it is quite clear that, over-all, changes in Canada-United States exchange rates have had an adverse effect on this industry, as well as on other Canadian manufacturers, since about 1969.

RECENT TRADE DEVELOPMENTS

It is evident from the data presented earlier that Canadian imports of pleasure craft have been increasing at an accelerating rate, especially since 1970. While export growth kept pace with import expansion during most of the 1960's, and in fact exceeded import growth in the latter part of that decade, imports have grown more rapidly than exports since 1970.

(1) The change in the Canada-United States exchange rate of 10 cents, or some 9.5 per cent, is applied against the exchange-adjusted price of imported pleasure craft; hence the impact is greater by about one percentage point in the case of the 25 p.c. tariff rate than with the 17½ p.c. rate.



Source: Bank of Canada

A number of factors have contributed to the increase in Canadian pleasure craft imports. The return to a floating exchange rate for the Canadian dollar in 1970 and the subsequent increase in its value relative to the United States dollar, has been of particular importance. This appreciation of the Canadian dollar made pleasure craft from the United States more price competitive relative to Canadian-produced craft. It is notable that the marked upward trend in pleasure craft imports since 1970 has coincided closely with the rising value of the Canadian dollar against the United States dollar. The relationship between the higher value of the Canadian dollar and the increase in pleasure boat imports appears to parallel the rapidly-rising imports of all consumer durables which have more than doubled since 1970.

The DISC legislation introduced in the United States in 1971 is another factor underlying the greater import competition faced by domestic pleasure craft producers. The Board obtained reliable information that most major United States pleasure craft producers exporting to Canada have established DISC subsidiaries. As discussed earlier, the incorporation of a DISC permits certain tax savings for an exporter which, if applied to export selling prices, for example, makes United States pleasure boats more price competitive when sold in the Canadian market. In most cases DISC tax savings appear to permit an equivalent reduction in export prices amounting to some 1 to 3 per cent; under optimal circumstances such tax savings might result in a 4 to 5 per cent reduction in export prices. Even where DISC tax savings are not used to reduce selling prices, but are retained as additional profits or are used to increase export promotion, exports to the Canadian market would be encouraged. Taken together, therefore, the impact of new exchange levels, as well as DISC benefits, has been to weaken significantly the competitiveness of the Canadian pleasure craft industry.

Mention has also been made of the Duty Remission Program respecting power cruisers under which one major company, Shepherd Boats, Ltd., imports models not produced domestically. No doubt this program has also contributed to the growth in imports (and, as mentioned below, in Canadian exports as well).

A large proportion of the much higher imports is, of course, the outcome of an expanding Canadian market for pleasure craft. In 1970, imports accounted for 20 per cent of domestic pleasure craft sales by value; even assuming no change in this import share, the growth in domestic demand would have resulted in a substantial increase in imports. However, imports have evidently captured an increasing share of the domestic market; imported pleasure craft represented an estimated 50 per cent of total sales in Canada in 1974 compared with 20 per cent in 1970.

The recent accelerated growth in pleasure craft imports may also be the result of an increasing advantage in production costs of United States pleasure craft producers. As discussed in Chapter IV, the United States pleasure craft industry enjoys certain competitive advantages over the Canadian industry, principally as a result of lower raw material and component costs and smaller overhead costs resulting from the much larger scale of operations in the United States pleasure craft industry. While comparative cost data available to the

Board suggest that this over-all competitive advantage has not necessarily increased since 1971-72, this possibility can, however, not be discounted, due, for example, to the apparently stronger trend to mergers amongst United States corporations with an interest in the pleasure craft industry.

In 1974, the level of Canadian imports was influenced not only by the generally longer run factors outlined above but especially by the depressed state of the United States pleasure craft market, a consideration of possibly shorter duration. Statistics respecting (1) the United States market for pleasure craft and ancillary equipment reveal a sharp sales downturn in 1974 as a result of a pronounced, general recession in the United States. In contrast, the Canadian pleasure craft market would appear to have continued its expansion in 1974. It would seem therefore that the depressed market for pleasure craft in the United States has led United States boat-builders to shift and increase their marketing efforts to foreign markets, especially the Canadian market, which is by far the most important. At the same time evidence gathered by the Board from discussions with the pleasure craft industry indicates that the level of production in Canada was not much higher than in 1973. Thus the degree of penetration by United States exporters in 1974 has been substantial.

Exports of the Canadian pleasure craft industry have also grown at an increasing pace since 1970, more than doubling by 1974. As already noted, export growth is largely attributed to the Canadian sailcraft sector which, for reasons of excellence in design and quality of craftsmanship, has been able to offer a superior product in the United States market. While separate statistics are not available for 1970, sail-boat exports have risen from \$8.0 million in 1971 to \$16.1 million in 1974. The over-all export performance of the Canadian pleasure craft industry has become, if anything, even more reliant on the sailcraft sector in recent years; in 1974, sail-boat exports accounted for 68 per cent of all pleasure craft exports as against 65 per cent in 1971. Canadian exports of pleasure craft have also, to some extent, been stimulated by greater foreign shipments of power cruisers as a result of the rationalization program with an affiliated United States boat-builder entered into by Shepherd Boats, Ltd.

However, imports increased sharply in 1974 whereas exports of pleasure craft increased little. As pointed out with reference to import developments, the general recession experienced in the United States in 1974 must be regarded as a major factor in pleasure craft markets and trade. This economic downturn, and the depressed pleasure craft market in the United States, is believed to explain in large part the fact that exports by the Canadian pleasure craft industry were only \$400,000 higher than in 1973.

(1) The Boating Industry January 1975, Cahners Publishing Co. Inc., New York, N.Y., U.S.A.

CHAPTER VII: PARTS, EQUIPMENT, ACCESSORIES AND POWER UNITS

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CHAPTER VII: PARTS, EQUIPMENT, ACCESSORIES AND POWER UNITSINTRODUCTION

The Board was directed to study certain tariff items relating to "parts of, or equipment for" pleasure craft. The Board was also directed to include in its study such other tariff items related to "component parts" as it might consider relevant to its inquiry. This chapter presents the market, production and trade information which the Board was able to assemble with respect to parts, equipment, accessories and power units used in or with pleasure craft.

The degree of consideration the Board devoted to such a large and varied assortment of goods and articles depended on their importance to the pleasure boat-building industry as such - as indicated in the introductory chapter, the main concern of this Reference, and therefore most of the Board's inquiry and the bulk of its Report, is with the pleasure boat-building industry.

For the purposes of this Report, three groups of goods and articles have been established: parts, ancillary equipment and accessories and power units. There is no difficulty in identifying the latter group - marine engines whether gas, diesel or semi-diesel, outboard and inboard/outboard motors, and parts thereof -, and they are considered separately below. There is some value, however, in distinguishing, as far as this is possible, between "component parts" and "ancillary equipment and accessories": in this Report, therefore, "component parts" refer to those parts and items of equipment normally installed by the pleasure boat manufacturer, whereas "ancillary equipment and accessories" are those articles normally purchased subsequently by the boat owner from dealers, marinas or other marine suppliers who may or may not install such equipment and accessories when this service is desired by the boat owner. Examples of articles which usually fall within one or the other of these two groups are listed in subsequent paragraphs.⁽¹⁾

The foregoing distinction between parts and ancillary equipment and accessories accords with the terminology used in the letter of reference in which the terms "component parts", "parts of" and "equipment for" pleasure craft are mentioned. The distinction, however imprecise, is pertinent and important because, in contrast to "ancillary equipment and accessories", "component parts" go into the building or production of the pleasure craft at the factory, and hence the cost, availability and quality of such parts affects the pleasure boat-building industry directly.

No public information is available about the market for and domestic production of component parts, equipment and accessories for pleasure craft. Shipments' data are not maintained for most items and, while import and export statistics are recorded under "Parts and

(1) Although marine engines and motors are considered as a separate group, it is the usual practice, as already pointed out, for boat manufacturers to install inboard marine engines and inboard/outboard motors, whereas outboard motors are sold separately by dealers, marinas and others, directly to the boat owner.

Accessories for Ships and Boats", they cover mostly trade in parts, equipment and accessories for ships and commercial craft. The quantitative estimates and the discussion which follow rely largely, therefore, on information and data obtained directly from a number of major manufacturers and distributors of component parts, ancillary equipment and accessories, and on the information provided by pleasure craft producers as major users.

DEMAND FACTORS

There is a wide range of goods and articles required or desired by boat-builders, as well as by boat owners in outfitting their craft. Pleasure boats, both domestically-produced and imported craft, vary greatly in size, style and appointments and there is a corresponding diversity in the component parts, ancillary equipment and accessories needed to build and operate them.

Component parts are an important cost consideration in the manufacture of the more expensive types of pleasure craft such as runabouts, power cruisers and the larger sail-boats, as shown in Table 4.6. The production of canoes and utilities require few such parts beyond built-in seats; when they leave the plant canoes and utilities are essentially hulls and the boat owner purchases later the ancillary equipment and accessories he wishes to have.

Component parts usually installed by the manufacturer in outboard runabouts include steering wheels, windshields, seats, control cables, control instruments, handrails, running lights, fuel tanks and miscellaneous deck hardware such as cleats, chocks, eye-bolts, step plates and boat cover fasteners. In addition to the above, the manufacturer of larger powercraft will put in mechanical and safety equipment associated with the operation of inboard engines, e.g., bilge pumps, bilge blowers, marine generators, mufflers, alarm systems, ammeters, temperature, oil pressure and fuel gauges, air vents and fume detectors. Halyards, winches, turnbuckles, shackles, blocks and pulleys constitute typical factory-installed rigging requirements for sail-boats. Power cruisers and auxiliary sail-boats, with on-board living accommodations, also normally contain such items as stoves, refrigerators or iceboxes, marine heads, sinks, berths, lockers, carpets and cabinets; these are normally included in the manufacturer's selling price.

Pleasure craft manufacturers are believed to constitute the largest market for the component parts mentioned above. The market for such parts is not, however, restricted only to manufacturers of pleasure craft. Whereas most of the component parts used in runabouts and in other smaller pleasure craft appear to be specialized to the pleasure craft industry, many items, especially those used in large power cruisers and auxiliary sailcraft, are also used in commercial boat-building and repair and in shipbuilding and repair. Principal examples are bilge pumps, bilge blowers, marine generators, various engine gauges and ventilators.

There is also a non-marine market for some of the component parts in question. Bilge pumps, marine heads, compact stoves, refrigerators, generators, running lights, etc. used in the marine

industry are similar to those employed in the automotive, aircraft and construction industries and in house trailers, camper trailers and cottages.

There is also a substantial aftermarket (for repair and replacement) for many of the component parts mentioned above (e.g., fuel tanks, bilge pumps, deck hardware) which is met by boat dealers, marinas or other suppliers.

In contrast to the component parts installed at the factory by pleasure boat manufacturers, boat owners typically purchase a wide range of ancillary equipment and accessories from boat dealers, marinas or other suppliers. To make a craft operational some major cost items may be involved such as sails, anchors, cordage, life preservers and life-jackets, boat fenders, paddles and oars, boarding ladders and (rear-mounted) swimming platforms, boat-hooks, batteries and battery boxes and fire extinguishers. Accessories and ancillary equipment of a more optional nature which the boat owner may purchase include trailers, convertible tops, boat covers, searchlights, horns, pennant poles, water skiing hardware, extra fuel tanks and additional control instruments. For large pleasure craft, in particular, there is a wide range of accessories including, for example, marine radios, radio telephones, radio direction-finders, radar, depth sounders, power winches, auto pilots and air conditioners.

It should be mentioned that some of the ancillary equipment and accessories, mentioned above, e.g., marine radios and radar, may be factory-installed.

Original equipment sales - that is, the sale of the ancillary equipment and accessories associated with the sale of new pleasure craft - probably represent only a small share of the total market for such goods and articles. There is a large aftermarket for such items; the stock, or number, of existing pleasure craft far exceeds annual sales of new boats and, accordingly, there is a very sizable repair/replacement demand for many operational items such as batteries, cordage, sails, convertible tops, boat covers, etc. As already noted, there is also a commercial marine demand for many of the items noted, e.g., cordage, anchors, batteries, fire extinguishers, life-jackets, marine radios, radar, depth sounders; furthermore, many of the items described, e.g., batteries, fire extinguishers, radio telephones, air conditioners, while used in commercial and pleasure craft, are principally used for non-marine purposes.

SUPPLY FACTORS

Many of the component parts, ancillary equipment items and accessories are manufactured domestically. However, all industry informants were of the opinion that, excluding outboard motors, imports supplied, by value, the larger portion of the domestic market. Imports come chiefly from the United States; there are some imports from Australia, Japan, and Britain.

According to information provided by manufacturers of component parts, ancillary equipment and accessories, most of these goods and articles which are used in runabouts appear to be produced

or assembled domestically, including most deck hardware, steering wheels, windshields, seats, running lights, marine batteries, battery boxes and fuel tanks. Since the runabout sector constitutes some 40 per cent of the total value of the Canadian pleasure boat market, with new sales estimated at about 16,000 units in 1971, it would appear that the market for the component parts, ancillary equipment and accessories for such craft, and for the aftermarket, is sufficiently large to encourage their manufacture or assembly in Canada. A very few component parts, such as seats, are made by the pleasure craft manufacturers themselves.

In the Board's survey of the pleasure craft industry manufacturers were asked to indicate the extent (on the basis of value) to which the "Component Parts and Accessories" used by them were of foreign manufacture. From the information received it is evident that, in contrast to runabouts, the manufacturers of sailcraft and power cruisers rely largely on imports. Presumably the reason is that these manufacturers have more specialized requirements and that the number of these larger craft built in Canada is relatively small. Sales in 1971 in Canada of new auxiliary sailcraft and power cruisers are estimated at about 230 and 650 units, respectively, in contrast to runabout sales of some 16,000 units.

Replies to the Board's questionnaire indicated that most of the rigging needs for auxiliary sail-boats (e.g., winches, turnbuckles, blocks, shackles) were imported. The same was true of refrigerators and galley stoves; these often have unique power specifications for marine use.

Evidence available to the Board also indicated that, generally speaking, even when the required articles were made in Canada (e.g., windshields, steering wheels), pleasure craft manufacturers often imported their requirements for reasons of better quality, more unique design or better service. Formerly, a few pleasure boat producers in Canada, who were subsidiaries of United States firms, imported most of the component parts, ancillary equipment and accessories they required because purchasing was centralized in the parent company.

In seeking information regarding domestic production and distribution of pleasure craft component parts, ancillary equipment and accessories, the Board interviewed officials of the following companies:

Brydon Brass Manufacturing Co. Ltd., Rexdale, Ontario;
Aqua Marine Mfg. Ltd., Toronto, Ontario;
Outboard Marine Corporation of Canada Ltd., Peterborough, Ontario; and
Chrysler Canada Outboard Ltd., Barrie, Ontario.

The Board also received production and sales data from Pre Vue Co. (Canada) Ltd., Winnipeg, a manufacturer of windshields, convertible tops, and fuel tanks for pleasure boats.

Brydon Brass Manufacturing, a recently acquired subsidiary of International Telephone and Telegraph Corporation (ITT) of the United States, manufactures or assembles, principally, pumps, steering wheels and steering accessories, blowers, marine heads, navigation lights, windshields and deck hardware. Aqua Marine Mfg. manufactures,

principally, steering wheels, navigation lights, bow-eyes, ventilating equipment, battery boxes, light kits and boarding ladders; this company operates in close association with Dominion Auto Accessories Limited, a major supplier to the automobile industry in both Canada and the United States. According to information provided at the public sittings⁽¹⁾, the products of Aqua Marine are exported to some fifteen countries. Both Outboard Marine Corporation of Canada (OMC) and Chrysler Canada Outboard, major Canadian manufacturers of outboard motors, act primarily as national distributors for the pleasure boat accessories made by their United States parent companies. Chrysler, in fact, does not manufacture such items in Canada, and OMC's Canadian manufacture of pleasure boat accessories is primarily restricted to fuel tanks.

The products manufactured, assembled, or imported by the above companies are sold to pleasure boat manufacturers, who are original equipment manufacturers or OEMs, to chain stores - mainly department and hardware stores -, to marinas and to parts, equipment and accessory dealers, who are normally also boat or outboard motor dealers. Marketing methods vary, with some major producers, such as Brydon Brass Manufacturing and Aqua Marine Mfg., maintaining their own sales force whereas other manufacturers market through distributors only.

From listings provided in the 1974 issue of the Canadian Trade Index, published by the Canadian Manufacturers' Association, there appear to be about one hundred establishments in Canada producing marine equipment, parts and accessories, for both commercial vessels and pleasure boats. These establishments are listed in Appendix B.3, showing their location and the principal marine products they supply. From general information available, some thirty to forty of these establishments are believed to produce parts solely for larger commercial boats and ships. While the remaining sixty to seventy establishments apparently produce parts, equipment and accessories more specifically of a kind used for pleasure craft, most of them appear to produce a few such items only and these are probably not important in the total output of those establishments. In the opinion of the company officials interviewed, three companies, Brydon Brass Manufacturing, Aqua Marine Mfg., and Pre Vue Co., account for most of the domestic production/assembly of pleasure craft parts, accessories and ancillary equipment, if one excludes marine motors and engines, sails, boat tops and covers and boat trailers.

While it is of advantage for parts', equipment and accessories' suppliers to provide as complete a line of articles as possible, it is not practical nor feasible for such suppliers to attempt to produce all those articles. All of the manufacturers interviewed by the Board also act, in varying degrees, as distributors of imported marine articles. As well, they may assemble some items, rather than manufacture them, using imported parts or using parts made by other Canadian suppliers. One major manufacturer stated that it is established company policy first to import an item and not to attempt manufacturing in Canada before a sufficient domestic market has been developed. In the domestic production of parts, ancillary equipment and accessories for pleasure craft, the principal determinant is believed to be scale of production. Where the market size is limited, design, tooling, and other outlays do not justify domestic production.

(1) Transcript, Volume III, p. 530

The non-standard or more unique parts, equipment and accessories are largely imported from the United States where the production of such items is supported by a pleasure craft market some twenty times larger than that in Canada.

OUTBOARD MARINE MOTORS

The majority of pleasure boats sold in Canada are designed or intended for use with an outboard motor. Such motors are used in the outboard type of runabout and probably in most of the utility-boats purchased. According to the Board's survey, some 30,000 new utility craft and 14,000 new outboard runabouts were sold in Canada in 1971. As even small utility-boats can accommodate and are used with light-weight, lower-horsepower outboard motors, it is probable that new utility craft account for most of the outboard motors sold in Canada. Outboard runabouts, on the other hand, probably account for the largest share of outboard motor sales in terms of dollar value as these boats are generally used with higher-horsepower motors which are substantially more expensive. Canoes are also frequently used with an outboard motor: some canoes are built with a square stern especially to accommodate an outboard motor, while other canoes can be power-driven by using a stern side-mount. Sail-boats without inboard power also use outboard motors and many sail-boats are built with transoms or brackets designed for the attachment of outboards. Larger inflatable craft can accommodate outboard motors, and single, or twin, outboards are also used for smaller power cruisers and houseboats.

There is evidently a very large replacement demand for outboard motors; this is evidenced by the fact that annual unit sales of outboard motors are much greater than unit sales of new pleasure craft which use such motors. For example, the demand for outboard motors resulting from new sales of pleasure boats might have totalled, under maximum assumptions⁽¹⁾, about 56,500 units in 1971. On the other hand, outboard motor sales, as given in Table 7.1, amounted to some 85,000 units in that year. This suggests that a high percentage of outboard motor sales represents purchases for replacement needs by pleasure boat owners and by persons who buy motors for use on rented boats. The balance of the sales would be, for example, for non-pleasure boat use, as in commercial inshore fishing, and for pleasure craft (e.g., utilities) whose owners delayed their purchase of an outboard motor.

The Canadian market for outboard motors is estimated at \$31.1 million in 1972, at the factory level, nearly double that of 1965. In terms of number of units, however, the growth has been much less. Clearly, boat owners have been purchasing an increasing number of more expensive motors with greater horsepower. In 1965, the Canadian market absorbed 63,743 units at an average manufacturer's price of \$266 compared with 91,752 units at an average price of \$339 in 1972. While inflation accounted for part of this unit value increase, an estimated 33 per cent, most of it was due to the greater horsepower and the generally superior quality of 1972 motors.

(1) Assumes, for 1971, that outboard motors were purchased for all outboard runabouts sold (14,000), all utility-boats (30,000) and one half of all canoes and sail-boats sold (12,500)

The number of imported outboard motors has risen sharply since 1968. On the other hand, the number of outboard motors produced domestically in 1972 was well below the record level attained in 1968. It is important to note that the average unit value, f.o.b. plant, of the Canadian-produced outboard motor, \$384 in 1972, was much higher than the average unit value of imported outboard motors, at \$102. Moreover, while the average factory price for the domestically-produced outboards has risen since 1968, the average unit value of imported outboards has changed little.

Precise figures cannot be given for the estimated domestic market for outboard motors as exports cannot be excluded. Although exports to overseas countries are significant, one company, Outboard Marine Corporation of Canada Ltd., accounts for most of this export activity. Confidentiality prohibits disclosure of export data. Therefore, the figures given in Table 7.1 overstate domestic sales of outboard motors by the number and value of the motors exported.

Table 7.1: Estimated Domestic Market^(a) for Outboard Motors, 1965-1972

Year	Production		Imports		Estimated Market		
	Units	Value	Units	Value	Units	Value	Unit
		\$'000		\$'000		\$'000	Value
							\$
1965	61,530	16,657	2,213	288	63,743	16,945	266
1966	71,299	19,194	1,428	312	72,727	19,506	268
1967	76,537	19,232	1,109	168	77,646	19,400	250
1968	86,554	23,346	1,489	169	88,043	23,515	267
1969	69,246	23,957	7,129	551	76,375	24,508	321
1970	65,199	24,443	7,119	612	72,318	25,055	346
1971	73,654	26,992	11,778	1,036	85,432	28,028	328
1972	77,149	29,591	14,423	1,475	91,572	31,066	339

(a) As noted in the text, the number and value of outboard motors exported are included in the estimated market.

Source: Statistics Canada

The market for outboard motors has not grown as robustly as the Canadian market for pleasure craft; over the 1965-1972 period the former rose in value by 83 per cent as against 148 per cent for the latter. The main reason for this development is probably the fast-growing use of inboard/outboard motors, replacing outboard motors, in runabouts. Other reasons are the increasing sales of canoes and small sail-boats not using power and the use of inboard power plants on large cruising sail-boats. Nonetheless, expenditures by the boating public on outboard motors still constitute a high percentage of total expenditures on pleasure craft. In many cases, the retail cost of the outboard motor purchased is equal to, or more than, the cost of the boat itself. It is estimated that in 1971 the retail market for outboard motors in Canada was \$36 million compared to a retail market for all pleasure craft estimated at about \$70 million. In 1972, the retail outboard motor market was probably about \$40 million compared

with a retail market for pleasure boats estimated at \$85 to \$90 million. Three companies in Canada assemble and supply 95 per cent of the domestic market for outboard motors: Chrysler Canada Outboard Ltd., Barrie, Ontario; Outboard Marine Corporation of Canada Ltd., Peterborough, Ontario; and Kiekhaefer Mercury of Canada Limited, Toronto.

INBOARD/OUTBOARD MOTORS

The inboard/outboard marine motor is used in powering larger runabout boats as well as some smaller power cruisers and houseboats. As mentioned earlier, this type of propulsion unit represents a relatively recent development and has become increasingly popular since the early 1960's. Inboard/outboard motors are distinct from either the outboard motor or the traditional inboard engine. Like the inboard engine, the inboard/outboard motor is positioned inside a craft but, contrary to the inboard engine, it does not require a propeller shaft or separate rudder for steering. The inboard/outboard motor offers also the "kick-up" feature of the outboard motor which is highly desirable for beaching, trailering, maintenance, and use in shallow waters. Jet drives, while not common in Canada, are usually an option in the inboard/outboard motor; a multistage pump is added to the inboard/outboard power plant.

Inboard/outboard propulsion units are not manufactured in Canada. They are imported, in almost all cases, as a complete unit including the power plant and the outdrive component, from either the United States or Sweden. The major companies supplying this type of motor in Canada are Mercury Marine (Division of the Brunswick Corporation), Fond du Lac, Wisconsin; Chrysler Corporation, Maryville, Michigan; Outboard Marine Corporation, Waukegan, Illinois; and A.B. Volvo Penta Sweden, Goteborg, Sweden. According to 1973 specifications, the inboard/outboard propulsion units produced by these companies range from 100 h.p. to 330 h.p. with list prices ranging approximately from \$2,000 to \$4,000. Most inboard/outboard propulsion units are sold to pleasure craft manufacturers on an original equipment manufacturer (OEM) account basis, with OEM prices being 55 to 60 per cent off the suggested retail list price.

Import statistics for inboard/outboard propulsion units, first available for 1970, provide reliable estimates of the size of the Canadian market since there is no domestic manufacture or export trade. These statistics are given in Table 7.2.

As presented in the following table, the domestic market for inboard/outboard propulsion units in 1973 consisted of 5,587 units valued at about \$7.3 million. In terms of units, this represented a threefold increase over 1970. Imports from the United States have risen more rapidly than imports from Sweden, with the United States in 1973 accounting for over 90 per cent of the total number of units entered.

The Canadian market for inboard/outboard propulsion units can be broken down between imports by pleasure boat manufacturers and imports by distributors or dealers. According to the Canadian subsidiary of one major manufacturer, about 4,000 of the 5,587 inboard/

outboard motors imported in 1973 were sold to domestic pleasure boat producers. The remaining 1,587 units evidently represent motors imported by distributors or dealers who, in most cases, would install the motors for their customers. Most of the 1,587 units would be installed in pleasure boats (designed for inboard/outboard motors) which are imported as "blanks", that is without the motor installed, to take advantage of more favourable tariff treatment. According to the Board's 1971 import analysis, 57 per cent of inboard/outboard runabouts as well as many power cruisers designed for inboard/outboard motors, were entered as "blanks".

Table 7.2: Imports of Inboard/Outboard Propulsion Units^(a), 1970-1973

Year	Sweden		United States		Total ^(b)	
	Units	\$'000	Units	\$'000	Units	\$'000
1970	359	397	1,471	2,514	1,830	2,911
1971	353	414	1,751	2,011	2,104	2,425
1972	384	449	2,933	3,830	3,317	4,279
1973	454	591	5,131	6,679	5,587	7,271

(a) These are coded by Statistics Canada under commodity class 592-19 (inboard/outboard propulsion units).

(b) Excludes 1971 and 1973 imports from the United Kingdom, valued at \$12,998 and \$51,000 respectively, as not being motors for pleasure craft use

Source: Statistics Canada

INBOARD MARINE ENGINES

Inboard engines are used in power cruisers, in auxiliary sailcraft and sometimes in runabouts. Since the early 1960's the use of the inboard engine has, to a considerable extent, been replaced by the inboard/outboard motor, particularly in runabouts and, to a lesser degree, in smaller power cruisers. As in the case of inboard/outboard motors, the Board's information is that no inboard marine engines used for pleasure craft are manufactured in Canada. The principal suppliers of inboard engines to the Canadian pleasure craft market are Mercury Marine, Chrysler Corporation, and A.B. Volvo Penta, companies which also manufacture outboard and/or inboard/outboard motors; Cummins Engines Co., Columbus, Indiana; Caterpillar Tractor Co., Peoria, Illinois; Perkins Engines, Inc., Farmington, Michigan; General Motors Corporation, Detroit; Universal Motor Co. (Division of Medalist Industries), Oshkosh, Wisconsin; and J.H. Westerbeke Corp., Boston.

The inboard engines used in pleasure craft vary greatly in weight and in horsepower, anywhere from 5 h.p. to about 375 h.p. Engine weight is a factor of special importance in sailcraft in which low-horsepower, light-weight engines are used. As an example of a commonly used engine for sail-boats, the "Atomic Four" engine, made by Universal Motor Co., weighs 310 to 335 pounds, depending on options,

and is rated at 30 h.p. In contrast, much more powerful and heavier engines are used in powering large power cruisers, with twin engines, in fact, being most often favoured for power cruisers of over 35 feet.

Canadian power cruiser manufacturers usually offer to the boat purchaser a range of both gasoline or diesel engines. In more recent years, low-horsepower diesel inboard engines suitable for sailboats have also been developed. The use of diesel, as opposed to gasoline, engines is infrequent, however; while diesels afford more safety and fuel economy in operation, they are, for the equivalent horsepower range, considerably more costly and much heavier than gasoline engines. In view of the high prices for petroleum products, the lower-cost fuel employed in diesel engines may be a factor in their use in the future.

Since there is no domestic production of inboard engines for use in pleasure craft, imports of such engines would provide a good measure of the domestic market for them. However, import data combine marine engine imports for ships, commercial boats and pleasure craft. Nonetheless, an estimate of the market in 1971 can be derived from the Board's industry survey which revealed that 492 auxiliary sailboats and 359 power cruisers were built in Canada in that year. Allowing for sales for replacement purposes and for twin engines in some power cruisers, domestic sales of inboard marine engines for pleasure boats probably totalled between 1,000 to 1,200 units in 1971. Sales of inboard engines are thus about half those of inboard/outboard motors (2,104 units in 1971) and, of course, are quite small compared to sales of outboard motors (85,432 units in 1971).

ESTIMATES OF MARKET, PRODUCTION AND IMPORTS

Interviews conducted with manufacturers and distributors of component parts, ancillary equipment and accessories for pleasure craft provided some information about current import levels; the Board was also able to make rough estimates of the domestic production of pleasure craft parts, ancillary equipment and accessories. This combined information affords an approximation of the size of the market involved.

The domestic production of metal and plastic component parts, ancillary equipment and accessories for pleasure boats (e.g., steering wheels, windshields, deck hardware, navigation lights) currently appears to be some \$4 to \$5 million. Three firms in Canada, Brydon Brass Manufacturing, Aqua Marine Mfg., and Pre Vue Co., were said to account for the bulk of that production: according to 1972 and 1973 data submitted by those three manufacturers, their combined annual production of pleasure craft component parts, ancillary equipment and accessories amounted to \$3.0 million.

Production data on three major items of ancillary equipment and accessories for pleasure craft not included above - sails, boat covers and boat trailers - are published and are presented in Table 7.3.

Table 7.3: Shipments of Sails, Boat Covers, and Boat Trailers, 1966-1972

Shipments	1966	1967	1968	1969	1970	1971	1972
Sails (\$'000)	345	366	390	817	754	798	1,203
Boat Covers (\$'000)	507	508	570	745	552	617	813
Boat Trailers (\$'000)	1,885	2,031	2,214	2,385	1,381	1,233	2,382
(Units)	11,002	11,711	12,207	12,317	8,917	6,845	7,668

Source: Statistics Canada

Both sails and boat covers are products of the canvas products and cotton and jute bag industry as defined by Statistics Canada (S.I.C. 1871). Sails are almost entirely fabricated of synthetic materials, nylon and dacron; sail production has about tripled in the past few years. Boat covers are predominantly of canvas and their production has remained fairly level. The production of boat trailers, between 1966 and 1972, has varied from a low of \$1.2 million to a high of \$2.4 million. Trailers are usually made of light-weight steel or aluminum, chiefly by truck trailer and body manufacturers (classified by Statistics Canada to S.I.C. 324). As indicated, shipments of sails, boat covers, and boat trailers amounted to \$4.4 million in 1972.

Thus the Canadian production of component parts, ancillary equipment and accessories for pleasure craft was probably in the order of \$10 million in 1972 or 1973 - combining the two estimates advanced above of \$4 to \$5 million and some \$4.4 million. As noted previously, imports, according to industry sources, appear to account for most of the domestic market. As best as can be determined on the basis of this information, imports of component parts, ancillary equipment and accessories for pleasure craft appear to be \$15 to \$20 million, suggesting a total market of perhaps \$25 to \$30 million at the manufacturer's price level.

Of the estimated figure of \$25 to \$30 million, sales to pleasure boat manufacturers, for use as component parts at the factory, are thought to be about \$8 to \$10 million. This estimate is derived from the cost information presented in Table 4.6 and data obtained by the Board on domestic shipments by type of craft. It would appear therefore that about one third of estimated total Canadian sales of \$25 to \$30 million, at the manufacturer's level, of parts, ancillary equipment and accessories, is made to pleasure boat manufacturers as component parts, and that the remaining two thirds are purchased by boat dealers, marinas, and other suppliers, as original ancillary equipment and accessories for new boats, and for replacement purposes.

With reference to marine motors and engines for pleasure craft, reliable statistics are available for outboard motors which, in terms of both number of units and total value, constitute by far the most important type of power unit sold. At the manufacturer's price

level, the Canadian market for outboards in 1972 was valued at \$31 million. The market for inboard/outboard motors and inboard engines, installed by pleasure boat manufacturers, was valued at \$3 to \$4 million for 1972. According to the Board's information all such inboard/outboard motors and inboard engines used in pleasure craft were imported, in contrast to outboard motors most of which are domestically made or assembled.

Thus, if the market value of marine motors and engines for pleasure craft is added to the market value of parts, ancillary equipment and accessories for pleasure craft, there would appear to be a total market of about \$60 to \$65 million at the manufacturer's price level. The relative importance of this market is evident if it is compared to the pleasure craft market itself which was estimated at \$51 million at the manufacturer's price level, in 1972. Based on the estimates suggested above, the percentage of the \$60 to \$65 million domestic market which is supplied by imports is about one third. However, if outboard motors are excluded from this market estimate, it appears that imports supply about two thirds of the domestic market, of something over \$30 million for parts, ancillary equipment, accessories, inboard engines and inboard/outboard motors. This already high percentage is understated by the import value of used or second-hand pleasure craft which are imported with engines or inboard/outboard motors: it was estimated, for example, that twenty-five per cent of imported inboard/outboard cruisers are used or second-hand craft (See Chapter V, page 170).

Finally, as regards component parts used by pleasure craft manufacturers, their value, based on the above estimates, would appear to be \$8 to \$10 million of which some one half to three quarters is probably imported, with manufacturers of auxiliary sailcraft and power cruisers, in particular, relying on imports for needed equipment and accessory components.

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CHAPTER VIII: TARIFF CONSIDERATIONS

INTRODUCTION

The following chapter presents a description and analysis of those factors and issues pertaining to the tariff structure for pleasure craft and for parts, equipment and accessories for pleasure craft. The chapter is divided into two parts; the first considers issues respecting completed pleasure craft while the second part discusses issues relevant to parts, equipment and accessories.

Part one commences with a descriptive treatment of present classification procedures with respect to pleasure craft. Then follows an historical review of the level of protection provided this industry. Statistical data on imports according to tariff item are also presented and nomenclature and rate comparisons are afforded as between the Canadian tariff and the tariff of other nations. Included is a summary of all representations and proposals made to the Tariff Board by the pleasure craft industry; these are analyzed and discussed further in succeeding sections.

The first part of this chapter dealing with pleasure craft also presents an analysis of the costs and benefits of the existing tariff. The rate of effective tariff protection as against nominal tariff protection is also examined, as well as the effect, and desirability, of the existing Duty Remission Program available to certain pleasure craft manufacturers. A full examination of present methods of valuation for customs purposes is provided inasmuch as the existing nomenclature pertinent to pleasure boats poses certain difficulties respecting the basis for establishing value for duty. This part also examines possible nomenclature alternatives which might be utilized in a revision to the present tariff structure as well as the feasibility of adopting the Brussels Tariff Nomenclature.

The second part of the following chapter contains a review of the four tariff items, specifically referred in the Board's letter of reference, concerning parts, equipment and accessories for pleasure craft. Also included is a description and analysis of a number of other tariff items, not specifically referred, which the Board found to be relevant to its inquiry concerning pleasure craft parts, equipment and accessories. The representations and proposals made concerning such parts, equipment and accessories are summarized and the possible applicability of the Brussels Tariff Nomenclature for such components is examined. The possible alternatives for the tariff treatment of such parts, equipment and accessories for pleasure craft is also discussed.

TARIFF CONSIDERATIONS RESPECTING PLEASURE CRAFT

The Tariff Items

The text of the three tariff items specifically referred to the Board by the Minister is set out in Chapter I. They are repeated below for convenience. As already noted, these tariff items have been specifically referred to the Board to the extent that they "relate to pleasure craft or pleasure vessels and hulls therefor"; in fact the items do not apply exclusively to pleasure craft but cover most craft destined for use or service in Canadian waters except registered vessels entitled to engage in the coasting trade and vessels in transit. Other vessels not included in the three tariff items specifically referred are commercial fishing vessels exceeding 100 feet in length, tariff item 43935-1; certain life boats, tariff item 44006-1; certain racing shells, tariff item 44009-1, and pleasure craft temporarily entered under permit by non-residents:

		<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
	Vessels, dredges, scows, yachts, boats and other water borne craft, built outside of Canada, of any material, destined for use or service in Canadian waters (not including registered vessels, entitled to engage in the coasting trade, nor vessels in transit between Canada and any place outside thereof) n.o.p.; on the fair market value of the hull, rigging, machinery, boilers, furniture, and appurtenances thereof, on arrival in Canada:				
44002-1	Other than the following	15 p.c.	25 p.c.	25 p.c.	
	G.P.T. rate from 1/7/74 to 30/6/84				15 p.c.
44003-1	Boats, open, including sail boats, skiffs and canoes, but not including those with inboard motors or for use with inboard motors	15 p.c.	17½ p.c.	25 p.c.	
	G.P.T. rate from 1/7/74 to 30/6/84				11½ p.c.

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
44004-1 Boats, open, including sail boats, with inboard motors or for use with inboard motors; yachts and pleasure boats, not exceeding 30 feet in length overall	15 p.c.	17½ p.c.	25 p.c.	

G.P.T. rate from
1/7/74 to 30/6/84

11½ p.c.

Regulations may be pre-
scribed by the Minister
for exemption from
further duty after the
duty specified in items
44002-1, 44003-1 and
44004-1 is once paid.

As already emphasized, almost all foreign trade in pleasure craft is with the United States and hence the most-favoured-nation (M.F.N.) rates are, at this time, the only rates of consequence to the Canadian industry.

The tariff items reproduced above include the new General Preferential Tariff (G.P.T.) rates which came into effect on July 1, 1974, and apply to imports from certain developing countries which are enumerated in the Customs Tariff as entitled to General Preferential Tariff treatment. The rates are the lesser of the British preferential (B.P.) duty set forth or two thirds of the M.F.N. rate. The lower customs duties extended to the designated developing nations are not, in the case of pleasure craft, expected to alter significantly, import patterns in the foreseeable future because of the importance of transport costs in such trade.

Pleasure craft over 30 feet in length, mainly cruising sailboats and power cruisers, are normally imported under tariff item 44002-1. They have been dutiable, since 1906, at rates of 15 p.c., B.P., 25 p.c., M.F.N., and 25 p.c., General. As shown, the recently introduced G.P.T. rate is 15 p.c.

Open pleasure craft are entered under tariff item 44003-1 if they do not have an inboard motor or are not for use with inboard motors, or under tariff item 44004-1 if they have inboard motors or are for use with inboard motors. This latter item also applies to craft, not open, which do not exceed 30 feet in length. The M.F.N. rate under both these tariff items is 17½ p.c. The B.P. and General rates are 15 p.c. and 25 p.c. respectively, the same rates as for tariff item 44002-1. The G.P.T. rate for tariff items 44003-1 and 44004-1 is 11½ p.c.

There is no length restriction in item 44003-1 so that large boats without inboard power are entered under this tariff item. However, in practice, almost all boats of over 30 feet are not "open" and

are powered by inboard engines and thus are dutiable under tariff item 44002-1.

The term "open" boat is construed by the Department of National Revenue to mean boats without sleeping accommodation, heads and galleys. Large cruising sailcraft, power cruisers, and houseboats with such facilities are not "open" boats; a further guideline used by the Department is that "open" boats normally are those with 50 per cent or more of open deck space.

It will have been noted that with respect to items 44002-1, 44003-1, and 44004-1, regulations may be prescribed by the Minister for exemption from further duty after the duty specified is once paid. The Board was informed by the Department of National Revenue, that no such regulations have been published. The Department noted that this provision was incorporated into the Tariff in 1906 because, with a few exceptions, there was no provision for free entry of goods which were once duty-paid, exported, and then re-imported into Canada; this situation was subsequently provided for in tariff item 70910-1.

As can be seen in Appendix C.1, which sets out the history of the tariff items specifically referred to the Board, the wording of the original tariff item relating to water-borne craft has remained unchanged since 1906 (it is currently numbered 44002-1); the same is true of the rates, namely 15 p.c., B.P., 25 p.c., M.F.N., 25 p.c., General.

However, two classifications of boats were subsequently extracted from the original tariff item. In 1956, pursuant to negotiations under the General Agreement on Tariffs and Trade (GATT), present tariff item 44003-1 was established and the M.F.N. duty was reduced from 25 p.c. to 20 p.c. on the craft described in the item. Under the Kennedy Round of GATT negotiations, the M.F.N. rate was further reduced progressively, from 20 to 19½, to 19 and, effective June 4, 1969, to its present rate of 17½ p.c.

On January 1, 1968, following the Kennedy Round of GATT negotiations, the third classification of boats, now tariff item 44004-1, was established with rates of 15 p.c., B.P., 23½ p.c., M.F.N., 25 p.c., General. The M.F.N. rate was reduced to 22 p.c. on January 1, 1969 and, on June 4, 1969, to its present level of 17½ p.c.

Table 8.1 displays the results of the Kennedy Round of tariff negotiations under the GATT which eventually resulted in the current M.F.N. Tariff rate of 17½ p.c. under tariff items 44003-1 and 44004-1. As stated above, no change has been made since 1906 in the 15 p.c., B.P., and 25 p.c., General, rates under the three tariff items in question. Nor has the 25 p.c., M.F.N. rate been modified since that time on the craft which have continued to be dutiable under tariff item 44002-1.

Imports by Tariff Item

The distribution of imports given in Table 8.2 reflects the relative importance of the three tariff items in question. It is evident that items 44003-1 and 44004-1 have accounted for the bulk of imports in recent years. For the 1968-1974 period shown, imports under these two items have comprised, on average, 84.7 per cent of the value of imports.⁽¹⁾ Statistics prior to 1968 are not included because of major changes in the tariff structure which make comparison to earlier years impractical.

The marked rise in pleasure craft imports apparent in Table 8.2, particularly in 1974, has been discussed earlier.⁽²⁾ However, it should be emphasized that the growth in total imports under the three tariff items since 1968 has, for the most part, resulted from higher imports under tariff items 44003-1 and 44004-1. Total imports under the three tariff items have increased by \$37.7 million since 1968, with item 44004-1 accounting for \$22.6 million of this increase, 44003-1 for \$9.9 million and 44002-1 for \$5.2 million. Imports of large pleasure boats over 30 feet, mostly classified under tariff item 44002-1, have thus not been of importance in explaining import growth since 1968. On the other hand, craft entered under item 44004-1 have clearly provided for most of the growth in imports of pleasure craft. As best as can be determined, inboard/outboard runabouts and power cruisers not exceeding 30 feet account for most of the pronounced rise of imports recorded under item 44004-1.

The unit values exhibited in Table 8.2 are also indicative of the type of craft entered under the three tariff items. As based on the 1968-1974 averages, the unit value for boats entered under 44002-1 (\$12,757) is clearly much higher than that for either 44004-1 (\$2,795) or 44003-1 (\$343). The low unit values characteristic of item 44003-1 reflect the entry under this item of small, "open" craft. This item embraces imports of inflatables, canoes, utility-boats, outboard runabouts and day sailers. With respect to item 44004-1, average unit values are significantly higher because this item covers larger and more expensive craft, predominantly inboard/outboard runabouts, and, if 30 feet or under, power cruisers, house-boats, and auxiliary sail-boats. The average unit value of \$12,757 shown for 44002-1 is accounted for by imports of craft over 30 feet; as indicated in Table 8.2, very few pleasure boats are entered under this tariff item. By number, the great majority of pleasure craft are brought in under item 44003-1, on average accounting for 86 per cent of the total number of craft imported under all three tariff items over the 1968 to 1974 period.

(1) The import totals presented in Table 8.2 do not fully correspond to imports of pleasure craft as shown elsewhere in this Report which are based on commodity class totals recorded by Statistics Canada. Import data given in Table 8.2 are based on commodity class totals for three tariff items only. As well, certain exclusions have been made in Table 8.2, as permitted by more detailed information received, to reduce distortions in unit and unit value statistics.

(2) See Chapter VI

Table 8.2: Imports of Pleasure Craft, by Tariff Item, 1968-1973 (a)

Tariff Item	1968	1969	1970	1971	1972	1973	1974	Average 1968-74
Item 44002-1								
Value of Imports	\$ 779,034	1,077,177	1,093,187	1,968,812	2,470,115	2,618,501	6,015,833	2,288,951
% of Total Imports	% 16.7	18.8	18.3	21.5	18.7	11.5	14.2	15.3
Units Imported	No. 70	63	239	151	176	197	360	179
Unit Value	\$ 11,129.06	17,098.05	4,574.00	13,038.49	14,034.74	13,291.88	16,710.65	12,756.89
Average Duty Paid (b)	% 24.7	23.7	23.7	24.7	25.2	24.1	23.9	24.3
M.F.N. Duty Rate	% 25	25	25	25	25	25	25	25
Item 44003-1								
Value of Imports	\$ 2,867,736	3,313,042	2,887,932	3,951,308	5,273,843	8,131,066	12,723,555	5,592,640
% of Total Imports	% 61.4	51.7	48.3	43.2	39.9	35.6	30.0	37.4
Units Imported	No. 7,119	11,835	9,103	13,167	16,636	23,814	32,620	16,328
Unit Value	\$ 402.83	279.94	317.25	300.09	317.01	341.44	390.05	342.52
Average Duty Paid (b)	% 20.5	18.2 (c)	17.2	17.3	17.4	17.4	17.6	17.7
M.F.N. Duty Rate	% 19½	17½	17½	17½	17½	17½	17½	17½
Item 44004-1								
Value of Imports	\$ 1,020,947	2,004,761	1,996,981	3,219,997	5,466,615	12,107,646	23,654,442	7,067,341
% of Total Imports	% 21.9	31.3	33.4	35.2	41.4	53.0	55.8	47.3
Units Imported	No. 533	910	1,037	1,199	2,284	4,363	7,375	2,529
Unit Value	\$ 1,915.47	2,203.03	1,925.73	2,685.57	2,393.44	2,775.07	3,207.38	2,794.84
Average Duty Paid (b)	% 23.1	19.3 (d)	17.3	17.4	17.5	17.5	19.0	18.4
M.F.N. Duty Rate	% 23½	17½	17½	17½	17½	17½	17½	17½
Total Imports								
Value	\$ 4,667,717	6,394,980	5,978,100	9,140,117	13,210,573	22,857,213	42,393,830	14,948,933
Units	No. 7,722	12,808	10,379	14,517	19,096	28,374	40,355	19,036
Unit Value	\$ 604.47	499.30	575.98	629.61	691.80	805.57	1,050.52	785.30
Average Duty Paid (b)	% 21.8	19.5	18.4	18.9	18.9	18.2	19.2	19.0

(a) The data have been adjusted to exclude, as much as possible, imports under items 44003-1 and 44004-1, mainly from Japan and Taiwan, of inflatable toy rafts and toy boats (with a quite low average unit value) and certain water-borne craft such as commercial liferafts entered under item 44002-1, all of which are not considered to fall within the scope of this Reference. The total of those exclusions are as follows: 1968 - \$137,329 (8,580 units); 1969 - \$285,234 (11,589 units); 1970 - \$283,420 (16,562 units); 1971 - \$523,501 (47,089 units); 1972 - \$1,441,114 (76,608 units); 1973 - \$694,958 (60,133 units); 1974 - \$1,142,930 (79,019 units).

(b) Total duty paid as a percentage of total dutiable value of imports

(c) On January 1, 1969, the applicable M.F.N. duty rate was reduced from 19½ p.c. to 19 p.c., and, on June 4, 1969, further reduced to 17½ p.c.

(d) On January 1, 1969 the applicable M.F.N. duty rate was reduced from 23½ p.c. to 22 p.c., and, on June 4, 1969, further reduced to 17½ p.c.

Source: Derived from Statistics Canada data

As footnoted in Table 8.2, certain adjustments have been made in compiling the statistics given in order to exclude, as far as possible, imports of inflatable toy rafts and other craft having exceptionally low unit values. For example, in the data for 1974, 79,019 units with a total value of \$1.1 million were excluded. The average unit value of the units excluded was only \$14.46; at such values they cannot plausibly be considered to be pleasure boats. Similar adjustments were made to item 44002-1 to exclude certain water-borne craft also not believed to be pleasure craft, e.g., commercial liferafts.

A number of other explanations should be noted with respect to the unit values shown in Table 8.2: these do not always represent the cost of new, finished craft. In the case of item 44002-1, especially, a large proportion of the imports are used, or second-hand, power cruisers which have entered at only a fraction of their original cost. Furthermore, one major manufacturer of power cruisers, in certain years, has brought in hulls, at some \$4,000 to \$5,000 each, which were produced by the United States parent company for completion in Canada. This practice largely explains the unusually low unit value for item 44002-1 in 1970. It is also common for private individuals to import, under item 44002-1, boat hulls ("wet kits") which are then finished by the owner. To a lesser extent, the foregoing explanations also apply to the unit values shown for items 44003-1 and 44004-1. For example, under the latter, inboard/outboard runabouts are frequently entered as "blanks", that is, without the engine, and the unit values shown in Table 8.2 do not therefore represent the value of the completed craft.

Table 8.2 provides, for the three tariff items in question, the applicable M.F.N. duty rate and the average duty paid as a percentage of dutiable value. During the 1968-1974 period the stated M.F.N. rate under 44002-1 has remained unchanged at 25 p.c., and duty paid as a proportion of dutiable value has averaged 24.3 p.c. The slight difference between these two figures reflects a small number of craft entered at the lower British preferential rate of 15 p.c. For items 44003-1 and 44004-1, duty paid as a per cent of dutiable value has since 1970 normally been somewhat less than the stated 17½ p.c. M.F.N. rate, as a result, also, of imports under lower British preferential rates. For 1969, as higher rates were in effect in the earlier part of that year, the duty-paid percentage somewhat exceeded the 17½ p.c. M.F.N. rate shown.⁽¹⁾ For total imports, subsequent to rate decreases in 1968 and 1969, the weighted average duty paid as a percentage of dutiable value has remained relatively stable at between 18.2 and 19.2 per cent.

In addition to the three tariff items in which pleasure craft are specifically enumerated, there are three other items which may apply, under appropriate circumstances, to importations of such goods. In all cases, the pleasure craft would be admitted free of all duties and taxes, regardless of the country of origin. An immigrant to Canada could import his personally-owned craft under tariff item 70505-1. He would not, however, be permitted to sell his boat within twelve months after importation without payment of duty and taxes.

(1) In 1968 under item 44003-1 the calculated duty-paid percentage also exceeds the applicable M.F.N. rate of 19½ p.c. There is, however, no evident explanation for this discrepancy.

If a resident of Canada should inherit a craft from someone abroad, or receive one as a free gift in anticipation of the death of some such person, it would, subject to Ministerial discretion, be admitted under tariff item 70405-1. There are no limitations on the disposal of goods entered under this tariff item.

Pleasure craft imported by a member of the Canadian Forces or an employee of the Canadian Government, or by a former resident of Canada returning to resume residence therein, and acquired by him during an absence from Canada of not less than one year for personal or household use and actually owned by him abroad and in his possession and use for at least six months prior to his return to Canada, may be entered under tariff item 70320-1, but cannot be disposed of within twelve months of importation without payment of the duties and taxes otherwise prescribed. Representations have been made to the Board to the effect that importations of expensive pleasure craft, from the United States, have been made which, while technically conforming to the provisions of the item, were made by persons who took up residence in the United States primarily for the purpose of acquiring such craft at the lower prices prevailing in that country and entering them into Canada free of duty and taxes. The Board has, however, no way of checking the validity of these representations or the frequency of such importations.

Comparison of Canadian and Foreign Rates

Because Canadian trade in pleasure craft is almost all with the United States, most of this section is devoted to a comparison of the Canadian and United States tariff rates. The United States M.F.N. rates applying in 1974 are shown below. Other rates, ranging from 25 to 45 per cent, are applicable to imports from countries not granted M.F.N. status.

United States Tariff Items Relating to Pleasure Craft - 1974

<u>Item</u>	<u>Article</u>	<u>M.F.N. Rates of Duty ad valorem %</u>
	Yachts or pleasure boats, regardless of length or tonnage, whether motor, sail, or steam propelled, owned by a resident of the United States or brought into the United States for sale or charter to a resident thereof, whether or not such yachts or boats are brought into the United States under their own power; and parts thereof:	
	Yachts or pleasure boats:	
696.05 00	Valued not over \$15,000 each	2%
696.10 00	Valued over \$15,000 each	5%
696.15 00	Parts	6%

<u>Item</u>	<u>Article</u>	<u>M.F.N. Rates of Duty ad valorem %</u>
	Canoes, racing shells, pneumatic craft, and pleasure boats not specially provided for which are not of a type designed to be chiefly used with motors or sails; and parts of the foregoing:	
696.30 00	Canoes and canoe paddles, of wood or bark	4%
696.35 00	Pneumatic craft	6%
696.40 00	Other	10%

Item 696.05 in the United States Tariff, under which pleasure craft imports are dutiable at 2 per cent ad valorem, is the most important of the above classifications. This item applies to: runabouts, both outboard and inboard/outboard models; to most utility-boats, which are normally employed with an outboard motor; and to the majority of sail-boats and power cruisers imported. Item 696.10, mainly covering large sail-boats and power cruisers, applies to a relatively small number of imports. As indicated, canoes of wood are dutiable at 4 per cent under item 696.30 while pneumatic craft (called "inflatables" in this Report) are dutiable at 6 per cent. The "other" item carries the highest rate at 10 per cent - it includes canoes of fibreglass or aluminum and small utility-boats not designed to be chiefly used with motors.

Direct comparisons can be made between the United States and the Canadian M.F.N. tariffs on pleasure craft. As shown in Table 8.3, for example, in the present United States Schedule, small boats classified under item 696.05, at a 2 per cent rate of duty, are dutiable in the Canadian Customs Tariff at 17½ p.c. Large boats, classified under United States item 696.10, and dutiable at 5 per cent, correspond to pleasure craft dutiable in the Canadian Customs Tariff at 25 p.c. In the latter comparison, the Canadian duty rate of 25 p.c. applies to inboard-powered sailcraft and power cruisers of over 30 feet in length. Such boats in most cases have a value for duty of over \$15,000. The 2 per cent United States duty thus corresponds to the Canadian rate of 17½ p.c., and the higher rate of duty of 5 per cent compares to the Canadian rate of 25 p.c. As regards wooden canoes, pneumatic craft, and craft in the "other" category, the United States tariff rates of 4 p.c., 6 p.c. and 10 p.c., respectively, compare to the Canadian rate of 17½ p.c.

Table 8.3: Comparison of United States and Canadian M.F.N. Rates on Pleasure Craft, 1962-1972 (a)

	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	Per Cent Reduction (1962 to 1972) (a) %
Yachts or pleasure boats - United States:												
Item 696.05 (not over \$15,000)	5	4	4	4	4	4	3½	3	2½	2	2	60.0
Boats, open, not inboard-powered - Canada:												
Item 44003-1(c)	20	20	20	20	20	20	19½	19	17½	17½	17½	12.5
Boats, open, inboard-powered - Canada:												
Item 44004-1(d) (not exceeding 30 feet)	25	25	25	25	25	25	23½	22	17½	17½	17½	30.0
Yachts or pleasure boats - United States:												
Item 696.10 (over \$15,000)	11	10	10	10	10	10	9	8	7	6	5	54.5
Vessels, dredges, scows, yachts, boats - Canada:												
Item 44002-1	25	25	25	25	25	25	25	25	25	25	25	0
Canoes of wood - United States:												
Item 696.30(e)	-	8½	8½	8½	8½	8½	7½	6½	5½	5	4	52.9
Pneumatic craft - United States:												
Item 696.35(e)	-	12½	12½	12½	12½	10	8½	7½	6	6	6	52.0
Other - United States:												
Item 696.40(e)	-	20	20	20	20	20	18	16	14	12	10	50

(a) There were no changes in M.F.N. rates in 1973 and 1974.

(b) For United States items 696.30, 696.35 and 696.40, the per cent reduction shown is from 1963 to 1972.

(c) Formerly item 44003-2 (August 23, 1965 to January 1st, 1968) and item 440a (June 30, 1956 to August 23, 1965)

(d) Prior to January 1, 1968, boats in this category were dutiable under former tariff item 44003-1 (now item 44002-1) at 25 per cent.

(e) Tariff item not established in 1962

Source: Tariff Schedules of the United States (United States Tariff Commission) and Canadian Customs Tariff

Table 8.3 also sets out the extent of reductions made in the United States and Canadian tariff rates on pleasure craft over the period 1962-1972. Even though the United States rates were lower from the outset, reductions in the United States tariff rates from 1962 to 1972 have been substantially greater than those made in the three Canadian tariff items covering pleasure craft; the reduction in the United States rates pertaining to pleasure craft ranged from 50 to 60 per cent compared to a reduction of 12.5 per cent for tariff item 44003-1 and 30 per cent for 44004-1, and no reduction for item 44002-1. However, in terms of percentage points the Canadian reduction of $7\frac{1}{2}$ points under item 44004-1 exceeded the United States reductions of 3 points under United States item 696.05 and of 6 points under 696.10.

It should also be noted that the major tariff reductions occurring in the period 1962-1972 were in the Canadian and United States tariff items which accounted for the bulk of pleasure craft imports. Import data by tariff item available for the United States for 1964 to 1972 show that imports under United States item 696.05 accounted, by value, for some 42 per cent of total imports; item 696.10 accounted for 47 per cent of total imports. Tariff rate reductions in these items, as shown, amounted to 60 per cent and 54.5 per cent, respectively. Similarly, as was noted earlier, imports under Canadian tariff item 44004-1 have comprised the bulk of import growth in recent years; the rate of duty pertaining to craft entered under 44004-1 was reduced by 30 per cent over the 1962-1972 period.

The absolute difference or spread between the United States and Canadian M.F.N. rates on pleasure craft are set out in Table 8.4. In five of the six comparisons shown, the spread between Canadian rates and the United States rates has widened over the ten years 1962-1972. The one exception relates to tariff item 696.05; in this case the spread between the United States and Canadian tariff rates had decreased, reflecting the 30 p.c. reduction in the rate under tariff item 44004-1.

Table 8.4: Absolute Spread in Percentage Points Between the Canadian and United States M.F.N. Tariff Rates on Pleasure Craft, Selected Years 1962-1972

<u>Tariff Items</u>	<u>1962</u> %	<u>1965</u> %	<u>1972</u> %
696.05 (U.S.)	15	16	$15\frac{1}{2}$
44003-1 (Can.)			
696.05 (U.S.)	20	21	$15\frac{1}{2}$
44004-1 (Can.)			
696.10 (U.S.)	14	15	20
44002-1 (Can.)			
696.30 (U.S.) (a)	$11\frac{1}{2}$	$11\frac{1}{2}$	$13\frac{1}{2}$
44003-1 (Can.)			
696.35 (U.S.) (a)	$7\frac{1}{2}$	$7\frac{1}{2}$	$11\frac{1}{2}$
44003-1 (Can.)			
696.40 (U.S.) (a)	0	0	$7\frac{1}{2}$
44003-1 (Can.)			

(a) Using United States M.F.N. rate in 1963

Source: Tariff Schedules of the United States (United States Tariff Commission) and Canadian Customs Tariff

Another possible basis of comparison might be derived from the averages of M.F.N. tariffs for finished manufactures which have been computed by the GATT Secretariat for Canada and the United States as well as a number of other trading nations. These averages, based on dutiable tariff items only, are given in Table 8.5. They provide four possible tariff averages. The first is based on a simple average whereas the remaining three are derived using various weighting methods.

Table 8.5: M.F.N. Tariff Averages - Imports of Finished Manufactures

	<u>Average</u> 1	<u>Average</u> 2	<u>Average</u> 3	<u>Average</u> 4
Canada	16.0	15.3	14.2	14.7
United States	13.7	8.7	9.5	8.3

Source: Documentation for Tariff Study, General Agreement on Tariffs and Trade Secretariat, Geneva, July, 1970 - updated to 1974

It can be seen that whereas the actual M.F.N. rates on pleasure craft entering the United States is lower than the M.F.N. tariff averages worked out by the GATT Secretariat, the reverse is true as regards the Canadian rates. Furthermore, as regards the spread between United States and Canadian rates, the maximum average differential shown in Table 8.5 - about 7 percentage points, 15.3 as against 8.7 - is substantially less than the United States-Canada spread in rates on pleasure craft; as already noted, the differential is 20 percentage points on large pleasure craft and 15½ percentage points on most of the smaller craft.

The validity of some of the rate comparisons summarized above is, to say the least, debatable. Nonetheless, the fact remains that by most standards, the present rates of duty in Canada on one particular group of goods, namely pleasure craft, must be considered high when compared to so-called "average" rates.

Returning to actual rates, the Board also examined the provisions for pleasure craft in the Customs Tariffs of a number of countries other than the United States. All these countries use the Brussels Tariff Nomenclature; as noted elsewhere in this chapter virtually all the pleasure craft covered by this Reference are classified under Heading 89.01. The rates quoted are those applicable to pleasure craft classified under that Heading, according to the latest editions of these Tariffs available to the Board. Under the Common External Tariff of the EEC (Feb. 1974), pleasure craft entitled to enter at the conventional (i.e., M.F.N.) rates were dutiable as follows:

- sea-going vessels, defined as vessels, designed as sea-going, having a hull of an overall length (excluding any projecting parts) of not less than 12 metres - Free;
- other vessels weighing 100 kilogrammes or less each - 5 p.c.;
- other - 3 p.c.

Prior to its entry into the EEC, Britain granted free entry to pleasure craft from Commonwealth and EFTA countries; other imports were dutiable at 5 p.c. The Japanese Tariff (Oct. 1974) accords free entry to imports of pleasure craft from lesser developed countries and applies a rate of 6 p.c. to imports from GATT countries. The Swedish Customs Tariff (Oct. 1972) provides free entry for all pleasure craft imported from EFTA and lesser developed countries and for all imports of oar- and paddle-propelled boats made of materials other than iron; other imports are subject to a duty of 5 p.c. By contrast, the Australian Tariff (Sept. 1973) has rates of 19 p.c. Preferential and 26 p.c. General.

It is pointed out that the M.F.N. rate of 25 p.c. on inboard-powered pleasure craft of over 30 feet (44002-1) is high relative to rates in the Canadian Customs Tariff. There are only about forty-five tariff items, most of them relating to textiles, out of nearly 3,000 in the Canadian Tariff that have an ad valorem M.F.N. rate of 25 p.c. or more. The 17½ p.c. duty applicable to small pleasure craft under items 44003-1 and 44004-1, is somewhat higher than the average rate of duty on manufactured goods entering Canada in 1970.⁽¹⁾

The Canadian rates of 17½ and 25 p.c. on imported pleasure craft are also higher than the average rate of duty on "recreational durables" as a whole. Reference is made to Appendix A.16 which shows that, on forty-four tariff items covering a great variety of "recreational durables", the weighted average of the M.F.N. tariff was 15.9 p.c. in 1971 (the five non-dutiable tariff items listed in Appendix A.16 were excluded from the calculations; if they are included the average is lowered to 12.9 p.c.).

Representations and Proposals

In briefs and proposals submitted to the Board by Canadian pleasure craft manufacturers, the principal contention was that existing rates of duty and the structure of tariff items 44002-1, 44003-1, and 44004-1 respecting imported pleasure craft, should remain unchanged. It was claimed that any reduction in present rates would impair the competitive position of domestically-made craft, leading to loss of employment in the industry, particularly in certain regions, as well as in firms which are supplying the pleasure craft industry. This viewpoint was summarized by the Allied Boating Association of Canada (ABC):

(1) According to estimates (unpublished) of the Economic Council for ten categories of tariff items defined as manufactures, the average weighted tariff rate was 15.2 p.c. (duty collected as a percentage of dutiable value).

"Certainly any lowering of the tariff will only lead to a deterioration of competitiveness of Canadian boats -- undue hardship not only to Canadian boat builders but also to a host of suppliers of raw materials and component parts (hardware, upholstery, windshields etc.). The most damaging effect of any tariff reduction will be the unemployment that will surely result -- in many instances in small rural areas ill-equipped to develop viable employment alternatives."(1)

Many Canadian boat-builders, not separately submitting their own briefs, also wrote to the Board in support of the ABC's position.

Members of the Canadian pleasure craft industry felt that the United States industry enjoyed a number of advantages which made competition difficult in the home market and virtually impossible in the United States market. United States competitors were described as being large and well-financed corporations, benefiting from volume purchasing, lower material costs and lower per unit overhead costs in production and marketing as a result of volume sales. In many briefs it was claimed that fibreglass prices were substantially higher in Canada than in the United States. The present tariff schedule respecting fibreglass was said to be unfavourable with respect to pleasure craft producers in that the tariff on the finished product (pleasure craft) was lower than that applicable to this important material component. The larger size of the United States boat-builders was said to enable them to provide greater support to research and product innovation and to achieve economies of scale in transportation. The Domestic International Sales Corporation (DISC) legislation was also regarded as a further significant advantage now provided to pleasure craft producers in the United States. Compared to the United States industry, the short selling period, characteristic of boat sales in Canada, was also said to pose difficulties for domestic producers in that inventory costs are high and storage problems are encountered in the pre-season months.

A number of Canadian boat-builders also contended that in the late 1960's a substantial degree of protection was lost by them as a result of both the Kennedy Round of GATT negotiations and the return by Canada to a floating exchange rate with a subsequent increase in the value of the Canadian dollar in relation to the United States dollar.

The maintenance of present rates was also deemed necessary in view of the high cost of transportation faced by domestic producers in nation-wide marketing. In many instances United States competitors are located closer to certain areas of the Canadian market than domestic producers; it was held that the present level of protection was in part necessary to provide Canadian pleasure craft manufacturers with access to these more distant domestic markets.

The high cost of transporting finished boats was given as the chief factor preventing most boat-builders from marketing beyond their immediate sales area. For the relatively few domestic producers distributing, or attempting to distribute, on a national basis, it was contended that tariff reduction on pleasure craft would prohibit sales

in distant domestic markets because, as stated above, United States competitors are often much closer to such domestic markets.

Not all sectors of the Canadian industry were as apprehensive about the competitive advantages accruing to United States pleasure craft manufacturers. Concern was expressed primarily by the power-craft and utility sectors, but not by the sailcraft producers. The submission of the Nova Scotia Boatbuilders Association stated, furthermore that boat-builders in that province "do not fear competition from the United States producer." This association did, nonetheless, advocate the retention of present tariffs as reduction would "result in opening the door to competition from foreign producers such as the Far East, Europe, and Africa which operate under a relatively low labour-cost structure."

Many submissions to the Board included specific recommendations or proposals concerning the tariffs on pleasure craft. These proposals, respecting tariff items 44002-1, 44003-1, and 44004-1, are summarized below.

Bilateral Trade Agreement - C & C Yachts Manufacturing Ltd., Niagara-on-the-Lake, Ontario, proposed that a bilateral trade agreement be entered into with the United States respecting displacement sailcraft. This arrangement, and its rationale, was described in the company's brief:

"In respect to the current Tariff Board Review, it is this company's wish that tariffs as they presently exist, remain unchanged. It is this company's further wish to see a bilateral trade agreement covering displacement sailing craft instituted with the U.S.A. Such an agreement could constitute equalized tariffs, or complete reduction of tariffs, and it is our firm belief that such a move would be beneficial to our export industry, serving to curb an ever increasing move by the U.S. sailboat industry to find legal restrictions to Canadian and other countries exports of sailing craft into the U.S.A.

An agreement of this nature would further serve to assist in a reduction of trade imbalance which the U.S.A. is looking for. Our costs would be a portion of our domestic market against a gain of U.S. export."(1)

In discussions held with officials of C & C Yachts subsequent to the public sittings, the Board was informed that C & C Yachts wished to withdraw its proposal for the bilateral agreement as advocated above. The company's position respecting its earlier proposal was revised principally as a result of its decision to establish additional production facilities in the United States.

Higher Rates of Duty - The B.C. Boatbuilders Association proposed that the existing rates of duty on pleasure craft entered under tariff items 44002-1, 44003-1, and 44004-1 be raised. It was proposed that a uniform rate of duty be established for these three tariff items at 35 p.c., B.P., 35 p.c., M.F.N., and 50 p.c., General.

(1) Transcript, Volume II, page 324

Tariff Rebates - Shepherd Boats, Ltd., Niagara-on-the Lake, Ontario, proposed that all Canadian pleasure craft manufacturers seeking to rationalize production with foreign producers should be permitted exemption from the import duties otherwise payable under the existing tariff schedule. The Shepherd Boats brief reads in part as follows:

"Firms engaged in the manufacture of boats should be allowed to rationalize their production with foreign companies. The consequent reduction in the range of products produced would lead to lower cost, enabling the Canadian manufacturer to sell at prices comparable to those prevailing abroad. Tariff rebates would then be allowed to the Canadian manufacturer to cover duty free imports of those items in the product line not produced in Canada."(1)

This proposal for tariff rebates appears to be quite similar to the existing Duty Remission Program which is discussed in some detail in a later section of this chapter. Tariff rebates, actually duty remissions, under the existing Program are allowed only with respect to inboard power cruisers of 25 feet or more in length (the Program was originally intended as an interim measure; it was subsequently extended and is still in operation). The submission by Shepherd Boats, on the other hand, proposes that the Program be broadened in scope to apply to all types of pleasure craft.

Extension of Present Length Limitation Under Tariff Item 44004-1 - McVay Fibreglass Yachts Limited proposed that the existing 30 feet length limitation be increased to 40 feet. Such a change would allow pleasure craft between 30 and 40 feet in length to enter under item 44004-1 at 17½ p.c., M.F.N., rather than under item 44002-1 at 25 p.c.

Tariff Schedule Based on Types of Craft - Several pleasure craft manufacturers believed that there were significant differences between the various sectors comprising the Canadian industry and recommended that the tariff schedule should be structured in a manner which recognized these sectoral differences. The brief of Fabricated Steel Products (Windsor) Limited, for example, states: "A single tariff item covering all pleasure craft could, in our opinion, foster a tariff inequity between the various classes of boats." This brief proposed that a distinction should be made, for tariff purposes, between self-propelled boats versus non-self-propelled boats of 19 feet or under in length.

The briefs of McVay Fiberglass Yachts Limited and Paceship Yachts Limited, both located at Mahone Bay, N.S., suggested another possible subdivision for tariff purposes, proposing that power craft be distinguished from sailcraft in any tariff revision. The Paceship submission stated:

"The design, manufacture, and marketing of both daysailers and cruising yachts cannot and should not be grouped in a category with mass produced power boats."

(1) Transcript, Volume II, page 282

The representation of Specialty Yacht Sales Ltd., North Vancouver, B.C., proposed that duties on larger boats, of over 30 feet in length, could be reduced: "There is little hope of mass production in these sizes for the Canadian manufacturers as our market is very limited." This brief contended, on the other hand, that Canadian manufacturing of smaller boats warranted tariff protection as domestic production in volume of smaller boats was possible.

Exemption from Duty - Dragon Class Sail-Boats - The Canadian International Dragon Council proposed that tariff item 44003-1 be amended to permit duty-free entry, or reduced duties, for "Dragon" class yachts. The Dragon sail-boat is a 29-foot sailcraft built to certain specifications and used in Olympic racing competition. According to the Council this type of sailcraft is presently not built in Canada, and hence lower duties or duty-free entry would not affect employment in Canada adversely. It was felt that this proposal, if implemented, would encourage competitive sailing in Canada, particularly Olympic-type sailing.

Adoption of Brussels Tariff Nomenclature - It was suggested to the Board that it use the quasi universal Brussels Tariff Nomenclature in framing its recommendations with respect to the Canadian tariff relating to pleasure craft.

Temporary Admission of Craft by Non-Residents - The brief of Harber Mfg. Limited, Fort Erie, Ontario, pointed out that there are larger numbers of United States-produced pleasure boats, as well as motors, entered into and operated in Canada, on which no import duties are levied. A non-resident may import his personally-owned pleasure boat free of customs duty and federal sales tax under a permit issued by a Collector of Customs. Current provisions concerning the renewal of these permits can, in effect, provide for permanent importation as long as the craft continues to be owned and operated by the non-resident importer. The brief of Harber Mfg. proposed that the temporary entry permit be restricted to two years after which all duties and federal sales tax would become payable if the craft remained in Canada. It was claimed that the present practice of issuing temporary touring and storage permits reduces substantially the market for Canadian boat manufacturers.

Tariff Structure, Nomenclature and Rates

A number of the tariff considerations, issues and proposals which the Board has considered before arriving at its recommendations are discussed in this section. The first two relate essentially to tariff structure and nomenclature while the others bear on the question of tariff rates.

Tariff Structure, Nomenclature and Type of Craft

As already established, the pleasure craft building industry is made up of many manufacturers which differ widely as to nature, size and output. Speaking generally, it can be said that the industry is composed of a number of sectors based largely on the type or types of craft produced. It is not surprising, therefore, as noted in the preceding section, that several pleasure craft manufacturers recommended that the Board should establish separate tariff schedules according to the needs of the various sectors comprising the industry.

In this Report various types of pleasure craft have been identified and considered together as the main "product groups"; canoes, utilities, runabouts, sail-boats and power cruisers. A sixth group, "other" includes houseboats, multihull sailcraft, inflatables, pedal-boats or pedalos, kayaks, racing shells, sea-scooters, boat kits, pontoon-boats and folding boats. Further subdivisions may also be made according to material of construction, principally as between aluminum and FRP, length, weight, and design, such as between outboard and inboard/outboard. The Board has noted that other tariffs, such as those of the European Economic Community, Sweden, Australia and Britain (prior to its joining the EEC), use relatively few and simple tariff classifications for pleasure craft. A major reason for this approach might be to avoid difficulties in tariff classification of imports of pleasure craft. On the other hand, in some instances, different tariff sub-items are established for statistical reasons, even though the rates are the same under the sub-items.

The Board examined the advisability of a new tariff structure and nomenclature which, as opposed to the existing tariff structure, would be more aligned with the main "product groups" or sectors of the Canadian pleasure craft building industry.

Canada's sailcraft manufacturers, in particular, appear to constitute a distinct sector within the industry. Producers in this sector specialize in the sense that they seldom manufacture other types of craft; the distributors and dealers of sailcraft, similarly, seldom market other types of craft. On the other hand, dealers in canoes, utilities and runabouts are increasingly handling smaller sail-boats. Production methods and labour force skills are also different; highly-skilled carpenters, electricians and mechanics are, for example, required in the construction and outfitting of large auxiliary sail-boats whereas they are not required in the production of canoes, utilities and runabouts. It is also noted that sailcraft are, with some exceptions, readily identifiable and that their classification would pose no problem. It is, therefore, feasible to provide for sailcraft in one item or group of items.

It is also possible to identify power cruisers as a separate product group. In comparison to other sectors of the pleasure craft building industry, most of the domestic establishments producing power cruisers operate on a custom-work basis. In comparison to smaller pleasure craft, construction techniques are more complicated and demand certain skilled trades. Similar considerations apply to other craft designed to incorporate permanently-enclosed living quarters; it is, therefore, logical to group such craft into one item or group of items.

Inflatable craft differ in materials and methods of production from all other craft and could logically be dealt with separately. For the purposes of the tariff classification of inflatable pleasure craft, inflatable toy rafts, water wings and other such articles with quite low unit values are not included in the inflatable pleasure craft group.

Various types of small open pleasure craft, which might in some cases be more difficult to distinguish one from another, form a further category for which an item or group of items could be provided. Thus, canoes, utilities and runabouts constitute a fairly homogeneous sector of the pleasure craft building industry. They are frequently produced by the same manufacturer and marketed through a common distributor/dealer network. There are few differences from the standpoint of production techniques or labour skills required in the manufacture of FRP canoes, utilities and runabouts; nor are there significant differences in the manufacture of aluminum canoes, utilities and runabouts. There are also broadly comparable circumstances regarding the marketing of such smaller pleasure boats. Nonetheless, on the basis of design, canoes, if defined in broad enough terms, can be distinguished from other types of small craft. The same cannot be said for utilities as against smaller runabouts; any further distinctions within this group would have to be made on some other basis, such as motive power.

From the foregoing, it would appear both logical and administratively possible to modify the existing tariff structure and nomenclature to establish four principal categories or groups of pleasure craft for tariff purposes:

1. Pleasure craft primarily designed for navigation with sail;
2. Pleasure craft, not including craft primarily designed for navigation with sail; all the foregoing when destined for or provided with permanently-enclosed living quarters;
3. Pleasure boats, n.o.p.; and
4. Inflatable pleasure craft not including toys.

The first category would encompass all sailcraft, whether single hull or multihull and would include both auxiliary-powered and non-auxiliary-powered sailcraft. Under the second classification would be included, principally, power cruisers, houseboats and other large craft if provided with permanently enclosed living quarters. No specific criteria for "permanently-enclosed living quarters" is set forth in the proposed tariff nomenclature as it appears more practical for the Department of National Revenue to establish, and administer, appropriate rulings by ministerial regulations. It is, however, deemed that "permanently-enclosed living quarters" would include, at a minimum, a permanent head and galley facility, as well as sleeping accommodation.

The third main classification suggested above would pertain principally to canoes, utility-type craft, runabouts and other types of craft not otherwise provided for under the other categories. This third classification would thus generally encompass those types of smaller pleasure craft, or pleasure boats, which are normally entered as being "open" boats under the present tariff structure. As already indicated, inflatable craft (not including toys) could constitute a quite separate category.

The categories and classifications indicated above, as a possible basis for a revised structure and nomenclature, do not employ the present criteria respecting "open" boats. The classification of craft according to whether or not they are "open" appears to be subject to arbitrary definitions and is regarded to be an unsatisfactory basis for classification for tariff purposes.

As noted, the existing tariff structure accords a significantly different M.F.N. rate of duty depending on length. Tariff item 44004-1 provides for an M.F.N. rate of $17\frac{1}{2}$ p.c. applicable to "yachts and pleasure boats, not exceeding 30 feet in length overall". Otherwise similar craft which exceed 30 feet in length are entered under item 44002-1 at the higher duty rate of 25 p.c., M.F.N. The determination of rates of duty, and of the degree of protection provided to domestic manufacturers, based solely on the length of a pleasure craft is also thought to be an arbitrary and unsatisfactory criterion for establishing rates of duty and is not used in the nomenclature outlined.

Whereas the four main groupings suggested do not employ material of construction as a basis for classification, further sub-classifications could be made according to the different construction materials used. A principal subdivision could thus be between boats of FRP material as against aluminum; wood, wood surfaced with FRP, wood and canvas, thermoformed plastics and rubber/plastic as used for inflatables constitute construction materials of lesser importance. Additional sub-classifications could also be established, for example, on the basis of design distinctions, upon whether or not a craft is powered, upon the more particular type of motor or engine used, or according to other criteria such as value, length or weight. Although the same rates of customs duty might apply to sub-classifications so established, these further sub-classifications may nonetheless be useful for statistical reasons.

It is noted that the United States tariff schedule distinguishes pleasure craft according to value, design and material of construction. The United States tariff also includes a separate provision for pneumatic craft (termed "inflatables" in this Report). The common tariff of the European Economic Community distinguishes pleasure craft on the basis of weight (under and over 100 kilograms); the tariff of Sweden has a distinction on the basis of "oar- and paddle-propelled craft".

The Brussels Tariff Nomenclature

In considering possible modifications to the existing tariff schedule for pleasure craft and parts, accessories and equipment, the Board has examined the advisability and feasibility of using the "Nomenclature for the Classification of Goods in Customs Tariffs" commonly known as the Brussels Tariff Nomenclature (B.T.N.). After a general description of the B.T.N., this section of the chapter considers its application to pleasure craft. Its relevance to parts, accessories and equipment is considered later in this chapter.

The B.T.N. is intended to cover all goods normally traded in international commerce. It is the basis of the Customs Tariffs of most of the major trading nations of the world; the principal exceptions are Canada, the United States and the state-trading countries. The Nomenclature is published by the Customs Co-operation Council, in Brussels, of which Canada is a member. The Council and its committees are responsible for the revision of the Nomenclature and related publications, as required; they also assist national customs administrations in the interpretation and application of the B.T.N.

In the B.T.N., goods are grouped into 21 Sections which are divided into 99 Chapters which, in turn, are subdivided into a large number of Headings. The B.T.N. does not attempt to specify all individual products by name, and, in each Chapter, there is usually a residual Heading to provide for products which would be difficult to classify under the more specific Headings of the Chapter. These residual Headings are similar, in concept, to the "basket" items in the Canadian Customs Tariff. The classification of individual products is affected by the application of "Section Notes" and "Chapter Notes", which form an integral part of the B.T.N. system and may lead either to the inclusion or exclusion of goods from specific Sections, Chapters or Headings. Further, there are four general "Rules for the Interpretation of the Nomenclature" which are to be used when classification cannot be effected through the wordings of the Headings and the Section Notes and Chapter Notes.

In addition to the Nomenclature itself, the Customs Co-operation Council publishes the "Explanatory Notes to the Brussels Nomenclature". These Notes explain, in some detail, the coverage of each Section, Chapter and Heading and give numerous examples of products classified in the various Headings, particularly for products which may pose problems of classification; they also illustrate the application of the Section Notes and Chapter Notes. The Explanatory Notes constitute a valuable aid to the determination of the Heading appropriate to a particular product. The Council publishes also a "Compendium of Classification Opinions" which contains agreed opinions regarding the appropriate classification of particular products, to ensure the uniform application of the Brussels Nomenclature internationally.

Nothing precludes any country using the B.T.N. from subdividing any Heading for the purpose of applying different rates of duties to different products of the Heading, or for statistical purposes. However, in subdividing a Heading, it is not, of course, the practice to make provision for goods covered by other Headings or to exclude any products intended to be covered by the Heading being subdivided. Such action would require revisions of and additions to

both the Chapter Notes and the Explanatory Notes to the B.T.N. and might make their use impossible, thus impairing the usefulness of the B.T.N. in providing a widely-accepted, uniform system of classification of the goods entering international trade, for customs and statistical reporting purposes.

Section XVII of the B.T.N. provides for "Vehicles, Aircraft, and Parts Thereof; Vessels and Certain Automatic Equipment". There are four Chapters within this Section; Chapter 86 covers railroad and tramway equipment, Chapter 87 applies to other vehicles, Chapter 88 relates to aircraft and similar goods and Chapter 89 to water-borne craft. By Section Notes, it is provided that amphibious motor vehicles are to be classified as motor vehicles (Chapter 87) and that air-cushion vehicles are to be classified with the goods to which they are most akin; such vehicles are in Chapter 87 if they are designed to travel over land or over both land and water, but they are classified in Chapter 89 "if designed to travel over water, whether or not able to land on beaches or landing stages or also able to travel over ice."

Chapter 89 -- "Ships, Boats and Floating Structures", contains five Headings. Headings 89.02, 89.03 and 89.05 apply to specific types of vessels or floating structures; Heading 89.04 is applicable to vessels for breaking up. Consequently, virtually all vessels included in this Reference are in Heading 89.01, together with many other types not included in the Reference. Heading 89.01 also applies to unfinished hulls; to incomplete vessels, assembled, unassembled or disassembled; and to complete vessels unassembled or disassembled, provided that the finished vessel would be in the Heading. The Heading is worded: "Ships, boats and other vessels not falling within any of the following headings of this Chapter".

As noted above, any heading may be subdivided. For example in the Customs Tariff of the United Kingdom, in effect from January 1, 1975 Heading 89.01 has thirteen subheadings for rate purposes and thirty-seven subdivisions for statistical purposes. Pleasure craft can be classified, for rate purposes, under only three of the subheadings, all of which also apply to some other vessels. Each of these three subheadings has seven identical subdivisions for statistical purposes, five of which apply, in whole or in part, to pleasure craft.

The Common External Tariff of the European Economic Community divides the Heading as follows:

89.01 Ships, boats and other vessels not falling within any of the following headings of this Chapter:

A. Warships

B. Other:

I. Sea-going vessels

II. Other:

- a) Weighing 100 kg or less each
- b) Other

The Japanese Tariff (1974), like the British, subdivides the Heading 89.01 for both rate and statistical purposes; it is worded as follows:

89.01 Ships, boats and other vessels not falling within any of the following Headings of this Chapter:

1. Of a gross tonnage of not less than 10,000 tons

Warships
Tankers
Cargo ships
Other

2. Other

Warships
Cargo ships, steel
Ships and boats, steel, n.e.s.
Motor boats, yachts and rowing boats, wooden
Motor boats, yachts and rowing boats, other than wooden
Wooden ships, n.e.s.
Other

The above extracts illustrate the broad coverage of Heading 89.01. In terms of the existing Canadian Customs Tariff, it covers virtually all the pleasure craft included in the Reference, as well as most of the other goods imported under those items, and the water-borne craft of tariff items 43935-1 (fishing vessels over one hundred feet registered length), 44000-1 (foreign-built vessels registered in Canada for the coasting trade), 44006-1 (life boats) and 44009-1 (racing shells). The following, which may be imported under the items specifically referred to the Board, are, however, excluded: tugs and pusher-craft (Heading 89.02); light-vessels, fire-floats, dredgers, salvage ships, house-boats and other similar craft the navigability of which is subsidiary to their main function (Heading 89.03); ships, boats and other vessels (of Headings 89.01, 89.02 and 89.03), when imported for the purpose of being broken up (Heading 89.04); floating structures other than vessels, including rafts of all kinds (Heading 89.05) and products clearly designed as toys or for use at carnivals, fairs, etc. (Chapter 97).

The foregoing demonstrates the problem inherent in using the B.T.N., or, more precisely, part of the B.T.N., as the basis for a new structure and nomenclature for pleasure craft. This problem does not exist for countries which have adopted the whole of the B.T.N.

As noted, the pleasure craft within the scope of this Reference almost all fall within a single Heading 89.01 which, in fact, is a residual heading. They do not, however, comprise the entire coverage of that Heading. Moreover, a new Canadian tariff structure for pleasure craft based on the B.T.N. would have to include other B.T.N. Headings even when the goods and articles to be covered would represent but a small proportion of the goods covered by these other Headings.

Costs and Benefits of Existing Duties

As with any relatively limited group of products, insufficient data are available to quantify all of the major effects of the existing tariff protection on pleasure craft. Nonetheless, where possible, the Board has estimated some of the cash "costs" and "benefits" of the duties with respect to consumers, producers, distributors, dealers and government.

The cost of the existing duties to Canadian consumers, is, at the least, the amount of duty collected. In addition, the federal sales tax is levied on the duty-paid value of imported goods. Moreover, provincial sales taxes, where they exist, are levied on a retail price which, of course, incorporates the duty as well as the federal sales tax. Increased sales taxes are therefore paid by virtue of the duty. Also, as explained in Chapter V (p. 198), pleasure craft producers grant distributors' and dealers' "discounts" and, in so doing, add to the cost of the duties and sales taxes. The end result is that the cost of the duty to consumers is appreciably greater than the actual amount of duty collected, and this is reflected in higher retail prices.

The cost of the tariff to consumers arises not only from the higher prices of imported goods, but also from the higher prices at which domestic goods can be sold because of the existence of the duties. Based on the representations of many Canadian pleasure craft manufacturers, it is reasonable to assume that they, with some notable exceptions as will be seen later, take full advantage of the available protection, and "price up" their goods in relation to the prices of similar imported products.

Thus, the cash cost of the duties to consumers includes the differences in prices, of both foreign and domestic goods, resulting from the duties on pleasure craft.

The cash benefits to Canadian manufacturers are represented by the additional income they earn because of the higher prices which they can charge for their products because of the duties. In cases where the Canadian producer also acts as a distributor and/or dealer (of his own products and, in some cases, of imported craft also), he derives, in this way, additional benefits (due to the existence of the duty) similar to those received by the distributor or dealer.

Importers, distributors and dealers derive a benefit from the duty due to the fact that their discounts are calculated on a wholesale/retail price which is higher as a result of the duty and the application of the sales tax to the duty-paid value.

The higher prices of pleasure craft, as a result of the duties, might affect the volume of boats sold in Canada. In the case, for example, of pleasure craft of the type sold mainly to middle-to-low income buyers, the price elasticity of demand is probably somewhat above unity; that is, the effect of a given percentage change in price would be reflected in a somewhat greater percentage change in the number of units sold. Thus, although manufacturers, distributors and dealers may benefit from the higher unit prices, their total income from sales of some kinds of craft might be as high or higher in the absence of duties and with lower unit discounts and prices, because of the larger volume of sales which could well result from the lower prices.

Finally, in terms of "benefits", it is noted that the duty and the sales taxes levied become part of governmental revenues. As mentioned above, these taxes are increased as a result of the duties. It should be added that government revenues are also derived from income taxes paid by the producing and distributing firms and their employees.

It has already been estimated that the domestic market for pleasure craft in 1971 was about \$42 million, at the manufacturer's selling price level. This market is considerably higher at the final retail level as a result of the costs outlined above, namely import duties, the federal sales tax, distributor and dealer discounts and provincial sales taxes. Thus, in 1971, the retail value of pleasure craft sold domestically is calculated at \$67.0 million, or \$70.6 million if provincial sales taxes are included. The following table shows the estimated amount and distribution of the "cost" and "benefit" effect of customs duties as based on the 1971 volume of sales.

Table 8.6: Estimated Distribution of the Cash Costs and Benefits of the Duties on Pleasure Craft, 1971

	<u>With Existing Rates of Duty</u>	<u>Excluding Duty</u>	<u>Cash Costs or Benefits Resulting from Duty</u>	<u>Distri- bution of Total Costs & Benefits</u>
		- \$'000	-	
<u>Cost of Boats</u>				
Imports (a)	10,294	10,294	-	-
Domestic (b)	32,036	27,069	4,967	45.7
Total	42,330	37,363	4,967	45.7
Duty collected	1,986	-	1,986	18.3
Federal sales tax	5,318	4,484	834	7.7
Distributor discounts (c)	1,850	1,607	243	2.2
Dealer discounts (c)	15,494	13,203	2,291	21.1
Price to consumer	66,978	56,656	10,321	94.9
Provincial sales taxes	3,585	3,032	553	5.1
Cost to consumer	70,562	59,688	10,874	100.0

(a) f.o.b. point of shipment, excluding duty

(b) f.o.b. plant. It is assumed that all the Canadian producers take advantage of the existing tariffs in pricing their boats.

(c) For both imported and domestic boats, distributor and dealer discounts include freight costs.

Source: Tariff Board

A basic assumption of the estimates advanced in Table 8.6 is that domestic production, imports and exports would remain unchanged if the duty were removed. This is unlikely to be the case and the assumption is, therefore, a good example of the inherent weakness of any such cost-benefit analysis. Nonetheless, it is felt that as an indication of the order of magnitudes, the estimates of cash costs and benefits offered in this case are both valid and useful.

As shown in the table, the estimated total additional cost to the Canadian consumer resulting from the present tariff is estimated at \$10.874 million in 1971. This is 5.5 times the cost of the duty collected which is calculated at \$1.986 million.

The largest share of "benefits" derived from the existence of the tariff on pleasure craft, some 45.7 per cent, accrues to Canadian manufacturers. This high percentage is explained in part by the fact that in 1971, domestic production supplied three fourths of the total market demand. Under present tariffs any increase in imports relative to Canadian production would tend to reduce the benefits obtained by Canadian manufacturers, while increasing the benefits to government and to distributors and dealers marketing imported craft.

As estimated in Table 8.6, duties collected and federal sales tax account for 18.3 and 7.7 per cent, respectively, of the additional cost of \$10.874 million to consumers, while provincial sales taxes account for about 5.1 per cent. The dealers have the third largest share of the benefits, 21.1 per cent, and the distributors derive only some 2.2 per cent.

Table 8.7 provides cost-benefit estimates for each of the major groups in pleasure craft. Comparing these estimates with those shown in Table 5.1, it appears that the share of each product group in the total cost-benefit of \$10.874 million parallels, by and large, the share held by each group in the total Canadian market for pleasure craft. The largest product groups in the pleasure craft market, runabouts and power cruisers, contribute most, some 55 per cent, to the cost-benefit total of \$10.874 million.

The more detailed breakdowns given in Table 8.7 are influenced by differences in import penetration, by different tariff rates, and by differences in marketing methods: canoes account for very little of the total duty collected because of the small volume of canoes imported; power cruisers, on the other hand, account for a disproportionately high share of duty collected because of the higher tariff rate often applicable (25 p.c., M.F.N., on power cruisers exceeding 30 feet) and the high value of imports relative to domestic sales.

It is also noted that the runabout sector accounts for most of the benefits to distributors, because in comparison to most other craft, runabouts are more frequently marketed through distributors.

Table 8.7: Estimated Distribution of the Cash Costs and Benefits of the Duties on Pleasure Craft, by Product Group, 1971

<u>Cost or Benefit</u>	<u>Canoes</u>	<u>Util- ities</u>	<u>Run- abouts</u>	<u>Sail- Boats</u>	<u>Power Cruisers</u>	<u>Other</u>	<u>Total</u>
			-	\$'000	-		
Domestic sales, f.o.b. plant	414	614	1,988	1,045	680	225	4,967
Duty collected	12	145	540	232	800	258	1,986
Federal sales tax	51	91	303	153	178	58	834
Distributor discounts	17	41	132	18	21	13	243
Dealer discounts	241	434	877	358	202	179	2,291
Provincial sales taxes	40	72	200	98	101	42	553
Total	775	1,396	4,040	1,905	1,981	777	10,874

Source: Tariff Board

"Pricing up to the Tariff" - A critical assumption made in the calculations presented in Tables 8.6 and 8.7 is that domestic pleasure boat manufacturers take advantage of existing tariffs by "pricing up" their products to the full extent of the tariff protection afforded. The issue of pricing up to the tariff, either wholly or in part, is an important issue not only in the context of the cost-benefit estimates discussed above, but also as an indication of the extent to which existing protection has been utilized and/or appears to be required.

The Board has attempted to examine the extent to which "pricing up" takes place in the major sectors of the pleasure craft building industry. A number of Canadian producers provided dealer prices for a particular model sold in the United States market and in the Canadian market. Some Canadian producers submitted prices information with respect to domestic sales only, mostly because they exported little or none at all; in these instances comparisons were made, where possible, with dealer prices of comparable models produced and sold in the United States. As mentioned earlier, the usable data made available to the Board in this respect covered only a small proportion of Canadian pleasure craft producers. Nonetheless it is felt that the data are indicative, broadly speaking, of the extent to which the different sectors of the pleasure craft building industry utilize the existing tariff protection.

Canadian pleasure boat producers would appear to be using existing tariff protection to its full extent when the difference between the price to the dealer (or the distributor) in Canada and the price to the dealer in the United States is 31.6 per cent for boats classified under tariff items 44003-1 and 44004-1, and when the difference is 40 per cent for boats classified under tariff item 44002-1. A difference in dealer prices in the two markets of less than 31.6 per cent, or 40

per cent, but more than 12 per cent (the federal sales tax), would indicate less than full use of the present tariff protection. Finally, a difference of 12 per cent or less would suggest that tariff protection is not used at all and that the manufacturer obtains a lower return from domestic than from export sales.

Applying these criteria it seems that the more important sailcraft producers, representing some 33 per cent of production, do not use the existing tariff protection; these producers may in fact receive more, f.o.b. plant, from sales in the United States market than from domestic sales. Producers of larger outboard runabouts and I/O runabouts appear to price up fully to the tariff, as do producers of power cruisers. The tariff would seem to be only partially utilized with respect to canoes, utilities, and small outboards.

In view of the evidence suggesting that the sailcraft sector of the Canadian pleasure craft industry does not appear to price up to the tariff, the cost-benefit totals presented in Tables 8.6 and 8.7 are probably overstated. It would be more appropriate to assume instead that the "benefits" shown or the "cost" to consumers for the sailcraft sector in Table 8.7 (\$1.9 million) are probably negligible. Assuming no pricing up by the sailcraft sector, a more realistic cost-benefit total would therefore be some \$9.0 million, as against the \$10.9 million figure estimated, for all pleasure craft.

Nominal Tariffs and Effective Tariffs

A Canadian manufacturer receives protection against foreign competition in accordance with the nominal rate of duty set forth in the Customs Tariff with respect to the product he produces. In most instances, however, the "benefit" of this nominal tariff protection does not accrue in its entirety to the manufacturer - he uses part of it at least to "pay" for the "cost" to him of the tariff protection received by his suppliers of materials, parts, accessories, equipment, etc. The manufacturer's real or "effective protection" is measured by the difference between the amount of the "benefit" he derives from the nominal protection he receives on his output and the amount of the "cost" he must "pay" due to the protection incorporated by his suppliers in the price of his material inputs. The amount of this difference, or effective protection, measured against the manufacturer's net output or "value added", indicates the rate of effective protection.

The model given in Table 8.8 illustrates these relationships. For example, Case 2 shows the effect of a 10 p.c. tariff imposed on both the manufacturer's finished product and on the inputs which he employs. Assuming, as we have in the preceding paragraph, that both the manufacturer and the supplier price up fully to the tariff, the manufacturer receives a "benefit" of \$100 in protection for his finished product; however, the tariff protection on his inputs "costs" him \$40. Thus the actual amount of effective protection in this example is equal to \$60 which, as a percentage of value added (\$600), yields a rate of effective protection of 10 per cent.

The nominal tariff on the finished product may be equal to, may be less than, or may exceed, the weighted average nominal tariff rate on the inputs used. In the first situation, where nominal rates are equal, the effective rate will, of course, equal the nominal rate.

Table 8.8: Model Illustrating the Calculation of Effective Protection

Case	Pleasure Boat		Direct Inputs (b)		Value Added \$	Benefit of Protection Received \$	Cost of Protection Paid on Inputs \$	Effective Protection	
	Assuming Tariff on Final Product of:	Selling Price f.o.b. Plant (a)	Assuming Average Tariff of:	Delivered Cost at Plant (a)				Actual Effective Protection	Rate of Effective Protection (c)
	(p.c.)	\$	(p.c.)	\$				\$	per cent
1.	-	1,000	-	400	600	-	-	-	-
2.	10.0	1,100	10.0	440	660	100	40	60	10.0
3.	20.0	1,200	20.0	480	720	200	80	120	20.0
4.	25.0	1,250	25.0	500	750	250	100	150	25.0
5.	15.0	1,150	17.5	470	680	150	70	80	13.3
6.	15.0	1,150	-	400	750	150	-	150	25.0
7.	5.0	1,050	20.0	480	570	50	80	-(30)	-5.0

- (a) Assuming manufacturers and suppliers price up fully to the tariff
- (b) Cost to boat-builder of materials and supplies used, fuel and electricity
- (c) Actual net effective protection as per cent of value added

Source: Tariff Board

This situation is illustrated in Cases 2, 3 and 4, where the nominal rates on the finished craft and on the direct inputs, and the rate of effective protection, all are 10, 20, and 25 per cent, respectively. If the weighted average tariff rate on inputs exceeds the nominal tariff rate on the finished product, the rate of effective protection will be lower than the nominal rate. This is illustrated in Case 5 in the model where the tariff rate on the direct inputs is 17.5 per cent, the rate on the boat is 15 per cent, and the rate of effective protection 13.3 per cent. On the other hand, where the nominal rate on the finished product exceeds the weighted average rate on inputs, the rate of effective protection will be higher than the nominal rate applicable to the manufacturer's finished product; Case 6 illustrates. In certain circumstances, if the nominal tariff on inputs is considerably higher than that on the final product, the effective rate of protection may be negative, as illustrated in Case 7.

The Canadian Customs Tariff generally is structured so that higher nominal rates apply to more finished than to less finished goods. In such cases, the effective rate will exceed the nominal rate. Situations in which the tariff is neutral, that is, when the effective and nominal rates are equal, are rare; there is usually a considerable difference in the two rates.

Effective protection calculations are often criticized as being overly theoretical because of the inevitable assumptions involved. There is a detailed discussion of the theory, and its limitations, in a study published by the Economic Council of Canada.⁽¹⁾ The authors concluded, on the basis of a study of 133 Canadian industries, that, on average, the effective rates of protection in Canada are from one and one-half to two times the nominal rates. They found, however, that in about 25 per cent of the industries studied the effective rates were lower than the nominal rates and that, in a few cases, the effective rate was actually negative. When the effective rate is negative, the industry is worse off than if there were no duties on either the finished product or the inputs and it enjoys no protection whatsoever on its value added.

In calculating the level of effective tariff protection available to Canadian pleasure craft producers, it is assumed that the finished product is fully "priced up to the tariff", that is, that the pleasure craft manufacturer takes full advantage of the available nominal protection, and also that the costs of his material inputs reflect fully the rates of duty on these inputs. It should be noted that when the pleasure craft producer does not take full advantage of his nominal tariff protection, the level of effective protection is less than that calculated; conversely when his suppliers do not take full advantage of their nominal protection, the level of effective protection of the boat-builder is greater.

As noted in the previous section, the Board estimated that producers of auxiliary sailcraft take little or no advantage of the tariff protection available to them. On the other hand, the Board has no information as regards the extent to which suppliers of materials,

(1) Effective Protection in the Canadian Economy, James R. Melvin and Bruce W. Wilkinson, Economic Council of Canada Special Study No. 9, Ottawa; Queen's Printer, Ottawa, Canada, August, 1968

parts, equipment and accessories used by boat-builders, take advantage of the protection available to them. In spite of this serious deficiency in data, a rough estimate would place the rate of effective protection afforded pleasure craft manufacturers as a whole at perhaps 26 to 28 per cent. This rate would vary considerably as between sectors of the industry. The absence of estimates for other Canadian industries, given the reductions in tariffs made in 1968 and 1969, makes it impossible to compare this rough estimate, or indeed any other estimates suggested below, with the rate of effective protection in other industries or the manufacturing sector as a whole.

Effective Protection by Product Group - Effective protection in the pleasure craft industry varies to an unexpected degree depending on the type of craft manufactured. Various sectors of this industry, and individual producers, are affected quite differently by the existing tariff structure. The principal reasons for this variation are: nominal protection may be either 17½ p.c. or 25 p.c.; different equipment and accessories are used depending on the model of boat produced; and different materials are used.

Estimated effective protection rates based on eighteen FRP models for which complete costing information was available are shown in Table 8.9. Effective rates on outboard runabouts, canoes, and non-auxiliary sail-boats, ranged between 17 and 19½ p.c. This is only about half the rate of effective protection afforded the producers of large sailcraft and power cruisers of over 30 feet, and inboard/outboard runabouts. The rates presented in Table 8.9 apply to Canadian producers selling in the domestic market. The concept of effective protection is not applicable to an export situation in which case, of course, there is no protective benefit from the Canadian tariff. It is noted, also, that tariff costs on inputs used may be lower in the case of exported models since Canadian producers can obtain duty drawbacks respecting Canadian duty paid on imported components and materials used in products which are subsequently exported. Such drawbacks are normally equal to 99 per cent of duty paid.

Table 8.9: Rate of Effective Protection, by Product Group, Pleasure Craft Industry, 1972

<u>Fibreglass Models</u>	<u>Current Nominal Rate of Duty %</u>	<u>Estimated Rate of Effective Protection %</u>	<u>Average Weighted Tariff Rate on All Inputs Used %</u>
Canoes	17½	19.4	16.5
Runabouts - Outboard	17½	17.2	18.0
Runabouts - Inboard/Outboard	17½	45.7	5.9
Sail-boats - Non-auxiliary	17½	17.8	17.3
Sail-boats - Auxiliary:			
30' and Under	17½	21.9	13.7
Over 30'	25	40.9	14.2
Power Cruisers	25	33.6	16.4

Source: Tariff Board Industry Survey

The current tariff structure affords the highest degree of effective protection, calculated at about 46 per cent, to FRP inboard/outboard runabouts. The inboard/outboard motors used in these FRP runabouts constitute 45 to 55 per cent of factory cost. These motors are exempt from import duty as being of a "class or kind not made in Canada". While the producers of inboard/outboard runabouts enjoy protection of $17\frac{1}{2}$ p.c. on competing models entered into Canada, there is very little tariff cost in the inputs purchased, as the major component (motors) is duty-exempt.⁽¹⁾ Table 8.9 also shows, for various types of boats, the calculated weighted average of all tariffs on inputs used in manufacture. This is the actual cost of the full tariff where components are purchased abroad and the imputed cost where components are purchased domestically. The average tariff on inputs used for inboard/outboard runabouts is exceptionally low (5.9 per cent) because the motor is exempt from duty.

The rate of effective protection for manufacturers of FRP cruising sail-boats and power cruisers over thirty feet is estimated at 40.9 and 33.6 per cent, respectively. These products benefit not only from a high nominal rate, 25 p.c., M.F.N., as against $17\frac{1}{2}$ p.c., M.F.N. for other types of pleasure craft, but also from a low average rate of duty on the production components and material inputs because many are exempt from duty as being of a "class or kind not made in Canada". The inboard engines used in auxiliary sail-boats, most winches, most marine toilets, and most marine stoves, are, for example, duty-exempt. Teak and mahogany lumber, often used in the construction of larger boats, are also duty-free. To the extent that these larger FRP boats are constructed with non-dutiable components and materials the duty cost on construction inputs is reduced and effective protection is accordingly higher.

It is estimated that manufacturers of FRP canoes, outboard runabouts, and non-auxiliary sail-boats received the lowest level of effective protection, between 17.2 and 21.9 per cent. At the same time the rate of effective protection is very close to the nominal rate of $17\frac{1}{2}$ p.c., M.F.N.; in fact the Board estimates that, for outboard runabouts, the rate of effective protection is somewhat less than the nominal rate. The average weighted rate of duty on production components and materials employed in these craft is close to the nominal rate on the finished craft, and even exceeds it in the case of outboard runabouts; few of these components and materials enter duty-free.

The Board also calculated effective rates of protection for aluminum pleasure craft. The table below indicates that manufacturers of aluminum boats, compared to FRP producers, benefit from somewhat higher rates of effective protection; for aluminum canoes the rate is 22.3 per cent compared to 19.4 per cent for the FRP models, and for aluminum utilities 23.6 per cent compared to 17.2 per cent for FRP outboard runabouts.

(1) The effective rate given of 46 per cent for inboard/outboards assumes that competing imports are entered with motors installed, in which case the motor is dutiable at the rate applicable to the hull. However, by value, 37 per cent of inboard/outboards are entered without motor (as "blanks"), and the I/O motors, imported separately, are duty-exempt. Thus, where "blank" imports occur, effective protection is much lower - about 17 per cent as against 46 per cent.

Table 8.10: Rate of Effective Protection, by Product Group, Pleasure Craft Industry, 1971

<u>Aluminum Models</u>	<u>Current Nominal Rate of Duty</u> p.c.	<u>Rate of Estimated Effective Protection</u> %	<u>Average Weighted Tariff Rate on All Inputs Used</u> %
Canoes	17½	22.3	8.0
Utilities	17½	23.6	8.0
Other(a)	17½	21.7	12.1

(a) No breakdown possible for reasons of confidentiality

Source: Tariff Board Industry Survey

Table 8.10 is derived from cost information submitted for eight aluminum models ranging from 11½ to 15 feet in length and typifying the small craft production of the bulk of aluminum pleasure craft manufacturers. Effective protection for this segment of the industry is calculated at 21½ to 23½ per cent, although this estimate may not apply to a few producers of larger aluminum craft, principally houseboats, for which cost data were not received.

Aluminum boat producers obtain slightly higher rates of effective protection as a result of lower duties on materials. Specifically, the tariffs on aluminum sheet and coil are lower than those on the fibreglass, resins, and gel coat materials used in FRP models.

Tariff Structure on Inputs - Table 8.11 permits a more detailed analysis of the tariff as a factor in the cost of the materials, accessories and other inputs required in pleasure craft production.

Table 8.11: Weighted Average Tariffs on Inputs, by Product Group, 1971

	Tariff on All Inputs	Tariff on Materials			Tariff on	
		Fibre- glass Mtls.	Alum. Mtls.	Other Mtls.	Com- ponent Parts	Other Inputs (a)
			-	per cent	-	
<u>Fibreglass Models</u>						
Canoes	16.5	39.3		9.5	17.6	- 7.0
Runabouts -						
Outboard	18.0	43.1		10.8	18.1	18.7 9.2
Runabouts -						
Inboard/ Outboard	5.9	44.4		9.9	19.1	19.0 .2
Sail-boats - Non- auxiliary	17.3	40.7		11.7	20.3	16.7 10.6
Sail-boats -						
Auxiliary						
30' and under	13.7	42.8		15.0	18.1	14.9 5.2
Over 30'	14.2	45.2		14.0	19.1	14.5 5.2
Power Cruisers	16.4	47.3		8.8	18.2	15.2 15.1
<u>Aluminum Models</u>						
Canoes	8.0		6.1	13.3	8.3	- 5.9
Utilities	8.0		6.5	13.0	8.1	- 6.3
Other(b)	12.1		6.0	14.4	9.1	19.3 8.6

(a) Includes motors, engines and assemblies where applicable; also includes fuel, electricity and operating supplies

(b) Breakdown not provided for reasons of confidentiality

Source: Tariff Board Industry Survey

By and large, the weighted average tariffs on inputs are lower, and in most cases, a good deal lower, than the tariff on pleasure craft. A notable exception is fibreglass materials. Members of the Canadian pleasure craft industry contend that the high rate of duty on fibreglass materials results in an unwarranted cost to them. This view is set forth, for example, in a brief submitted by the Minister of Economic Growth, in the Government of New Brunswick, on behalf of Chestnut Canoe Company, Fredericton.

"The extremely high tariff protection which the fibre-glass manufacturers enjoy in Canada is, in our opinion, excessive.

"The raw material used in the manufacture of glass fibres or yarn is imported duty free under tariff item 32654-1. Manmade fibres, or glass fibres are imported under tariff item 56005-1 at 10% duty (MFN) and woven fabric of manmade or glass fibres is imported under tariff item 56205-1 at 25% plus 15¢ per lb. (MFN).

"This is a prime example of the normal system of tariff construction whereby progressively higher rates of duty are imposed from basic raw material to semi-finished to finished product.

"This normal progression is completely reversed in the case of the fibreglass boat building industry. Boats are imported under tariff item 44003-1 at 17½ (MFN) while the raw material to build these boats, i.e., fibreglass fabric is imported under item 56205-1 at 25% plus 15¢ per pound."(1)

Although, as already noted, the Board is engaged in a separate Reference on glass fibres and filaments, some examination of the contention mentioned above is warranted. In Table 8.11 the average weighted tariff on fibreglass by type of craft, ranges from 39.3 to 47.3 per cent. The rates are ad valorem equivalents incorporating both the ad valorem rate and the specific duties (of either 10 or 15 cents per pound) where they exist. The nominal M.F.N. rates are as follows: woven roving and woven cloth are entered under tariff item 56205-1 at a rate of 25 p.c. plus 15 cents per pound; continuous roving for spray-up is entered at 10 p.c. plus 10 cents per pound under item 56110-1; the duty on chopped strand mat is 25 p.c., with no specific duty, under tariff item 56300-1.

At 1972 prices and rates of duty, the ad valorem equivalents of the duties on the four types of fibreglass used in pleasure craft construction are: woven roving, 59 per cent; woven cloth, 32 - 39 per cent; continuous roving for spray-up, 37.5 per cent; chopped strand mat, 25 per cent.

While fibreglass is a critical component of FRP boat construction, it is a small item in terms of cost. In auxiliary sailboats and inboard/outboard runabouts, fibreglass represents less than 5 per cent of factory cost. In smaller FRP sailboats, outboard runabouts, and power cruisers the cost is 6 to 8 per cent. Fibreglass materials are slightly more important as cost items in canoes and, presumably, FRP utilities: in canoes, fibreglass materials on average account for 18 per cent of factory cost. Lower tariffs on fibreglass materials would obviously be of some benefit to Canadian pleasure craft manufacturers, but not to the extent often claimed. It should be noted that Fiberglas Canada Limited offers lower prices for those fibreglass materials used in pleasure craft which are exported. The rebates granted by this company on proof of export are roughly equivalent to duty drawbacks which can be obtained by pleasure craft producers using fibreglass materials imported from the United States.

Table 8.12 compares the effective protection by type of craft, now enjoyed by the pleasure craft industry with the effective protection it would enjoy assuming a 10 p.c. tariff on fibreglass materials. It would appear that even a reduction of this magnitude produces, in most cases, only a moderate increase - 6 to 13 per cent - in the rate of effective protection for most product groups. On the other hand,

(1) The Board was informed that the only producer of fibreglass in Canada, Fiberglas Canada Ltd., Guelph, does not import raw materials (glass balls) under item 32654-1.

the effective protection available for canoes and outboard runabouts would be raised by 20 and 27 per cent, respectively.

Table 8.12: Changes in the Rate of Effective Protection, by Type of Craft, Assuming Reduction in Duty on FRP Materials, 1972

	Existing Effective Protection	Effective Protection Assuming a 10 p.c. Tariff on Fibreglass Materials
Canoes	19.4	23.3
Runabouts - Outboard	17.2	21.9
Runabouts - Inboard/Outboard	45.7	48.5
Sail-boats - Non-auxiliary	17.8	20.1
Sail-boats - Auxiliary:		
30' and Under	21.9	23.7
Over 30'	40.9	43.8
Power Cruisers	33.6	36.5

Source: Tariff Board

Effect of Reducing the Nominal Tariff on Pleasure Craft - In Table 8.13, rates of effective protection are calculated assuming nominal rates of duty of 17½, 15, 12½ and 5 p.c. on pleasure craft; it is assumed that the tariff rates on inputs remain unchanged.

Table 8.13: Rates of Effective Protection on Pleasure Craft Calculated for Various Nominal Rates of Duty, 1972

	Present Rate of Effective Protection	Rate of Effective Protection Assuming Rate of Duty on Pleasure Craft of -			
		17½ p.c.	15 p.c.	12½ p.c.	5 p.c.
<u>FRP Models</u>					
Canoes	19.4	19.4	15.3	11.1	-1.3
Runabouts - Outboard	17.2	17.2	11.3	5.4	-12.4
Runabouts - Inboard/Outboard	45.7	45.7	36.9	28.2	+2.0
Sail-boats - Non-auxiliary	17.8	17.8	13.9	9.9	-1.9
Sail-boats - Auxiliary:					
30' and Under	21.9	21.9	16.3	10.6	-6.5
Over 30'	40.9	22.4	16.3	10.1	-8.4
Power Cruisers	33.6	18.6	13.7	8.7	-6.3
<u>Aluminum Models</u>					
Canoes	22.3	22.3	18.5	14.8	+3.5
Utilities	23.6	23.6	19.5	15.4	+3.1
Other	21.7	21.7	17.2	12.7	-.7

(a) Breakdown not revealed for reasons of confidentiality

Source: Tariff Board Industry Survey

As shown in Table 8.13, making all imports of pleasure craft dutiable at $17\frac{1}{2}$ p.c. would not alter the rate of effective protection provided to the majority of domestic producers as most of their products already have a nominal protection of $17\frac{1}{2}$ p.c. It would, however, substantially reduce the effective protection of producers of auxiliary sailcraft and of power cruisers over 30 feet, who at present receive nominal protection of 25 p.c., M.F.N.; effective protection for such producers would be nearly halved, from 40.9 and 33.6 per cent to 22.4 and 18.6 per cent, respectively. It is noted that a common rate of duty of $17\frac{1}{2}$ p.c., M.F.N. on pleasure craft would, however, with the exception of inboard/outboard models, result in a much more uniform level of effective protection, ranging from 17 to 24 per cent.

Table 8.13 also demonstrates the possible impact on effective protection of various reductions in the nominal rate of protection for the main types of pleasure craft. For instance, a reduction in the nominal rate to $12\frac{1}{2}$ p.c. would, in most cases, result in a loss in effective protection, of one to two thirds. When the nominal rate is reduced to 5 p.c., most pleasure craft manufacturers would experience negative effective protection.

Table 8.14 measures the extent to which tariff changes on parts, equipment and accessories used in pleasure craft production could alter existing rates of effective protection on various types of pleasure craft. In the table, it is assumed that the existing nominal rates of duty on pleasure craft remain unchanged and that all parts, equipment and accessories are entered under a single tariff item or "basket item" at the rates shown. The calculations assume no change in the rates applicable to materials, such as fibreglass, aluminum wood, resins, etc.

While a decrease in the rate of duty on parts, equipment and accessories would undoubtedly be beneficial to the pleasure craft industry, the improvement in effective protection would be relatively small, even with a reasonably major reduction in duty on the industry's inputs. This is in contrast to the results shown in the preceding table where a relatively small change in the nominal tariff rate on completed pleasure craft resulted in a marked change in effective protection.

Table 8.14: Changes in the Rate of Effective Protection by Type of Pleasure Craft, at Various Levels of Duty on Parts, Equipment and Accessories 1972

	Present Rate of Effective Protection	Rate of Effective Protection on Pleasure Craft Assuming a Rate of Duty on Parts, Equipment and Accessories of -			
		15 p.c.	12½ p.c.	10 p.c.	Free
<u>FRP Models</u>					
Canoes	19.4	19.4	19.4	19.4	19.4
Runabouts -					
Outboard	17.2	19.4	21.0	22.6	28.8
Runabouts -					
Inboard/Outboard	45.7	47.5	48.7	49.9	54.7
Sail-boats -					
Non-auxiliary	17.8	18.4	19.2	19.9	22.9
Sail-boats -					
Auxiliary:					
30' and Under	21.9	22.8	23.5	24.2	27.1
Over 30'	40.9	42.3	43.7	45.1	50.6
Power Cruisers	33.6	34.1	34.5	34.8	36.1
<u>Aluminum Models</u>					
Canoes	22.3	22.3	22.3	22.3	22.3
Utilities	23.6	23.6	23.6	23.6	23.6
Other ^(a)	21.7	22.7	23.3	23.9	26.5

(a) Breakdown not provided for reasons of confidentiality

Source: Tariff Board Industry Survey

As will be seen later in this Chapter, most of the parts, equipment and accessories used in pleasure craft are dutiable currently at about 17½ p.c., M.F.N. A reduction of 43 per cent in this to 10 p.c. would increase the level of effective protection for pleasure boat manufacturers by less than 12 per cent; the sole exception being outboard runabouts, in which case the rate of effective protection would increase by 30 per cent from 17.2 per cent to 22.6 per cent. Of course, producers of canoes and utility-boats would not benefit from a lower tariff on parts, equipment and accessories as these craft contain very few, if any, such items. It would appear, therefore, that a loss in effective protection brought about by lowering the nominal tariff rate on completed pleasure craft, could be offset only in part by a reduction of the tariff on parts, equipment and accessories.

The level of effective protection assuming a 15 p.c., M.F.N. tariff on pleasure craft and 5 p.c., M.F.N. tariff on parts, equipment and accessories was also calculated. In this situation only the outboard runabout sector of the industry would retain its present level of effective protection; for most producers the effective protection would be substantially lower. This would also be true even if all parts, accessories and equipment inputs were duty-free.

Margins of Preference

Prior to July 1, 1974, goods imported into Canada were subject to duty under one of three schedules of rates. Generally speaking, the lowest rates were applicable to goods qualifying for entry under the British Preferential (B.P.) Tariff, coming from those present and former Commonwealth countries and territories to which this tariff status has been accorded. An intermediate level of rates was applicable to goods qualifying for entry under the Most-Favoured-Nation (M.F.N.) Tariff, coming from countries which are members of the GATT, or from countries with whom Canada has a M.F.N. trade agreement, or to whom this tariff treatment has been accorded on some other basis. The highest rates applied are those of the General Tariff; there are now very few countries whose exports come under this tariff, and none of them have shipped pleasure craft to Canada. On July 1, 1974, there was introduced, for a ten-year period, the General Preferential Tariff (G.P.T.), providing lower rates on many products, imported from developing countries, which would otherwise be subject to the B.P. or M.F.N. Tariffs; this tariff has been in effect only for a short period and is not expected, at least for the foreseeable future, given the importance of freight costs, to lead to any important changes in the source of imports of pleasure craft.

The various rates applicable to pleasure craft, under the three tariff items specifically referred to the Board, are as follows:

<u>Tariff Item</u>	<u>G.P.T.</u>	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
44002-1	15 p.c.	15 p.c.	25 p.c.	25 p.c.
44003-1	11½ p.c.	15 p.c.	17½ p.c.	25 p.c.
44004-1	11½ p.c.	15 p.c.	17½ p.c.	25 p.c.

It should be noted that under item 44002-1, the G.P.T. and B.P. rates are the same and are ten percentage points below the M.F.N. and General rates, which are also the same. Under the other two items, the G.P.T. rate is 3½ percentage points below the B.P. rate, 6 below the M.F.N. rate and 13½ below the General rate; the B.P. rate is 2½ percentage points below the M.F.N. rate and 10 below the General rate, while the M.F.N. rate is 7½ points below the General rate. As already noted, there are no imports of pleasure craft under the General Tariff, and the G.P.T. rate has not been in effect long enough for its significance to be established. Consequently, the brief discussion which follows is limited to a comparison of the B.P. and the M.F.N. Tariffs.

The import statistics set out in Table 8.2 can be further broken down into imports from countries entitled to the benefits of the B.P. Tariff and imports from countries enjoying M.F.N. status. These figures, for the years 1970 to 1974, are given in Table 8.15.

Table 8.15: Total Imports of Pleasure Craft, by Tariff
Applicable to Country of Origin^(a),
Quantity and Value, 1970-1974

Tariff Item	Quantity - No. of Units			Per Cent of Total	
	B.P.	M.F.N.	Total	B.P.	M.F.N.
<u>44002-1</u>					
1970	10	229	239	4.2	95.8
1971	5	146	151	3.3	96.7
1972	35	141	176	19.9	80.1
1973	60	137	197	30.5	69.5
1974	81	279	360	22.5	77.5
5-Year Total	191	932	1,123	17.0	83.0
 <u>44003-1</u>					
1970	791	8,312	9,103	8.7	91.3
1971	977	12,190	13,167	7.4	92.6
1972	863	15,773	16,636	5.2	94.8
1973	3,009	20,805	23,814	12.6	87.4
1974	888	31,732	32,620	2.7	97.3
5-Year Total	6,528	88,812	95,340	6.8	93.2
 <u>44004-1</u>					
1970	100	937	1,037	9.6	90.4
1971	47	1,152	1,199	3.9	96.1
1972	24	2,260	2,284	1.1	98.9
1973	33	4,330	4,363	0.8	99.2
1974	8	7,367	7,375	0.1	99.9
5-Year Total	212	16,046	16,258	1.3	98.7
 <u>All Three Items</u>					
1970	901	9,478	10,379	8.7	91.3
1971	1,029	13,488	14,517	7.1	92.9
1972	922	18,174	19,096	4.8	95.2
1973	3,102	25,272	28,374	10.9	89.1
1974	977	39,378	40,355	2.4	97.6
5-Year Total	6,931	105,790	112,721	6.1	93.9

Table 8.15 (Contd.)

Tariff Item	Value - \$'000			Per Cent of Total	
	<u>B.P.</u>	<u>M.F.N.</u>	<u>Total</u>	<u>B.P.</u>	<u>M.F.N.</u>
<u>Tariff Item</u> <u>44002-1</u>					
1970	132	961	1,093	12.1	87.9
1971	64	1,905	1,969	3.2	96.8
1972	155	2,315	2,470	6.3	93.7
1973	212	2,407	2,619	8.1	91.9
1974	596	5,420	6,016	9.9	90.1
5-Year Total	1,158	13,008	14,167	8.2	91.8
 <u>Tariff Item</u> <u>44003-1</u>					
1970	355	2,533	2,888	12.3	87.7
1971	371	3,581	3,951	9.4	90.6
1972	315	4,959	5,274	6.0	94.0
1973	339	7,792	8,131	4.2	95.8
1974	406	12,318	12,724	3.2	96.8
5-Year Total	1,786	31,182	32,968	5.4	94.6
 <u>Tariff Item</u> <u>44004-1</u>					
1970	138	1,859	1,997	6.9	93.1
1971	141	3,079	3,220	4.4	95.6
1972	33	5,433	5,467	0.6	99.4
1973	75	12,033	12,108	0.6	99.4
1974	75	23,579	23,654	0.3	99.7
5-Year Total	462	45,984	46,445	1.0	99.0
 <u>All Three Items</u>					
1970	625	5,353	5,978	10.5	89.5
1971	575	8,565	9,140	6.3	93.7
1972	503	12,707	13,211	3.8	96.2
1973	626	22,232	22,857	2.7	97.3
1974	1,078	41,316	42,394	2.5	97.5
5-Year Total	3,407	90,173	93,580	3.6	96.4

(a) Certain exclusions have been made in the imports shown, see Table 8.2, footnote (a)

Source: Derived from Statistics Canada data

The figures indicate that the margins of preference have not enabled B.P. countries to capture any large share of the Canadian market for pleasure craft. Only in 1973 did they supply more than 10 per cent of the units and this represented less than 3 per cent of the value of imports. As might be expected, the B.P. share is largest under tariff item 44002-1. Under this item the margin is 10 percentage points as against $2\frac{1}{2}$ points under the other two items. B.P. countries supplied just over 30 per cent of the units imported under item 44002-1 in 1973, but this represented only 8 per cent of the value of imports under this tariff item.

The major source of B.P. imports is Britain which as a member of the E.E.C. is bringing its tariff in line with that of the Community. Should Canada similarly withdraw the benefits of the B.P. Tariff from Britain, that tariff would then be applicable to only a very small proportion of Canadian imports of pleasure craft.

Exemption from Duty for Olympic Class Sail-Boats

As already recorded, the Canadian International Dragon Council, requested that consideration be given to the removal or reduction of the tariff currently applicable to certain types of sail-boats. This submission proposed that sail-boats of the "Dragon" class or design, used in Olympic racing, be entered at reduced rates, or be duty-exempt. The submission also proposed that similar preferential treatment be accorded to all other sailcraft designated for Olympic racing. With respect to the "Dragon", it was contended that the demand for this type of craft was small and therefore its production would not be attractive to Canadian manufacturers.

Information gathered by the Board shows that Canadian manufacturers are actively and successfully engaged in the production of three of the six Olympic class boats, the "470", the "Tornado Catamaran", and the "Soling". Abbott Boats Limited of Sarnia, Ontario, manufactures both the Soling and the 470. This company appears to have accounted for almost all of the Soling design sailcraft sold in Canada. Sailcraft of Canada, located in Montreal, constructs the Tornado Catamaran, and according to information submitted, has supplied over 90 per cent of the Canadian market while also exporting successfully to the United States. Performance Sailcraft of Pointe Claire, Quebec, manufactures the 470; 1974 sales were estimated at some 250 units. As noted earlier this company also constructs the "Laser" sail-boat, a highly successful Canadian-designed sailcraft which is exported and is also produced by associated companies in a number of other countries. The Laser was granted recognition in 1972 as an international class boat; it may well be accorded a designation for Olympic competition.

While the submission of the International Dragon Council contended that the removal or reduction of duties on Olympic class sail-boats would not decrease employment in Canada, the above information, gathered subsequently, reveals that the present and potential opportunity for production in Canada of Olympic class sail-boats is significant. A further consideration of importance is whether or not it would be equitable to provide preferential, duty-free entry for some pleasure craft based solely on their Olympic status, and refuse the same treatment to other craft. It should also be noted that the

Dragon class sail-boat lost its Olympic class designation subsequent to the Council's proposal, which, therefore, is no longer relevant.

While the equity of extending preferential tariff treatment to one type of pleasure craft, in order to encourage certain activities, is questionable, the present tariff structure for pleasure craft does, in fact, provide preferential status for racing shells. Tariff item 44009-1 is as follows:

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
Racing shells or oars therefor, when imported by amateur rowing clubs for use exclusively by such clubs	Free	Free	25 p.c.	
G.P.T. rate from 1/7/74 to 30/6/84				Free

Under the conditions specified, racing shells are, therefore, entered duty free under both the B.P. and M.F.N. tariff whereas the rates otherwise applicable would be 15 p.c. and 17½ p.c., respectively.

Proposal for a Duty Rate Increase

As noted, the British Columbia Boatbuilders Association⁽¹⁾ proposed that existing rates of duty on pleasure craft entered under tariff items 44002-1, 44003-1, and 44004-1 be raised. It was proposed that all craft imported under these three items be dutiable at the same increased rate: B.P. 35 p.c.; M.F.N. 35 p.c.; General Tariff 50 p.c.

Except for two tariff items out of a total of nearly 3,000, the Canadian Customs Tariff contains no ad valorem M.F.N. rates currently in effect that are greater than 27½ p.c. (The exceptions cover wines and spirits). This, and other comparisons made, would indicate that the 35 p.c. M.F.N. rate proposed would be exceptionally high. They would add greatly to the retail price of pleasure craft to the Canadian consumer, especially in view of the higher (duty) base on which the sales taxes and the discounts to distributors and to dealers would be calculated.

Extension of Present Length Limitation

Tariff item 44004-1 contains a length restriction of 30 feet with the result that pleasure craft of over 30 feet are classified and entered under tariff item 44002-1 at a 25 p.c., M.F.N., rate of duty as compared to 17½ p.c. While a pleasure boat of over 30 feet, if determined to be "open", may be entered under either 44003-1 or 44004-1 at the lower duty of 17½ p.c., there are few, if any, pleasure craft of over 30 feet which are "open".

McVay Fiberglass Yachts Limited, of Mahone Bay, N.S., proposed that this current length specification be increased to 40 feet. Such a change would have the effect of reducing by 7½ percentage points the duty applicable to pleasure boats of over 30 feet but less than 40 feet in length: one would expect a significant increase in the number and value of pleasure craft imports dutiable at 17½ p.c. rather than 25 p.c.

(1) This association also submitted representations under the name of The United Boatbuilders Association.

The proposal focuses attention on the validity and desirability of using the length of a pleasure craft as a basis for determining rates of duty and, hence, the level of protection to be afforded domestic manufacturers.

The Duty Remission Program

A duty remission program was instituted in 1971. It was designed to apply to the imports by individual manufacturers of inboard pleasure cruisers, twenty-five feet or more in length. The Program was sought by a manufacturer of such craft and was originally introduced for one year. It was subsequently extended and is still in operation.

The Program is open to any manufacturer who meets the criteria established by the Department of Finance and covers the entire operations with respect to his production of inboard pleasure cruisers. The criteria are:

CRITERIA FOR DUTY REMISSIONS ON INBOARD PLEASURE CRUISERS

Definitions:

1. "Inboard Pleasure Cruiser" means a water borne pleasure craft twenty-five feet or more in length, powered by one or more inboard motors or designed to be equipped with one or more inboard motors and not equipped or designed to be equipped with sails.
2. "Canadian Value Added" means the factory cost of production of inboard pleasure cruisers, and of hulls and parts for inboard pleasure cruisers, produced by a manufacturer in Canada for sale, minus the cost (including duty, freight, insurance and other charges incurred in transporting the foreign goods from point of shipment to the frontier port of arrival in Canada) of imported component parts and materials used in that production.
3. "Manufacturer" means a manufacturer who produced inboard pleasure cruisers in Canada in the period January 1, 1969 to December 31, 1969.

Remissions:

1. Remission will be granted of the customs duty paid or payable on new inboard pleasure cruisers imported by or on behalf of a manufacturer during the period January 1, 1971 to December 31, 1971, the aggregate value for duty of which does not exceed the amount by which the Canadian Value Added in inboard pleasure cruisers, and hulls and parts for inboard pleasure cruisers sold by the manufacturer in the calendar year 1971 exceeds the Canadian Value Added in such goods sold by him in the calendar year 1969.
2. Remission will also be granted of the sales tax paid or payable on goods in respect of which customs duty is remitted, in the amount of the difference between the sales tax calculated on the duty paid value of the goods and the sales tax calculated on the value for duty of the goods.

As regards the objectives of the Duty Remission Program, the Board understands that a major objective was to make possible the rationalization of production between Canadian and foreign manufacturers of inboard pleasure cruisers, 25 feet or more in length. It was anticipated that rationalization would bring about an increase in "Canadian Value Added" (CVA), namely more employment and greater use of domestic components, and a reduction in the costs of Canadian manufacturers through specialization and longer production runs of fewer models of inboard power cruisers. It was also expected that increased trade, both imports and exports, would result from the rationalization of production. Finally, it could also be anticipated that the remitted duties and sales tax would be passed on, in whole or in part, to the Canadian consumer, resulting in lower retail prices.

The two-sided increase in trade would be an integral part of the arrangement. First, exports would increase because of the improved competitiveness of the Canadian producer and because the larger number of units he would produce (of fewer models) in his rationalized operation would exceed his market in Canada; sales to export markets would thus increase, primarily to the United States where the sales organization of the United States manufacturer would be available; the duties at 2 p.c. on inboard power cruisers valued under \$15,000 and at 5 p.c. on those of higher value, would not, by themselves, be a serious obstacle to exports to that country. Thus increased exports would be expected to result from a two-way rationalization scheme between, say, an American manufacturer and a Canadian producer whereby the latter would be responsible for the production of certain models for at least part of the North American market. At the same time, imports would also increase because the Canadian producer would wish to round out his product line - he would want to import those models of cruisers for which he had a market but which he no longer produced due to rationalization. If the duty were not remitted, such imports would be subject to rates of duty of $17\frac{1}{2}$ p.c. or 25 p.c., M.F.N.

The Board has not attempted to compare other arrangements similar to the Duty Remission Program, which undoubtedly exist elsewhere. It might be noted that a successful rationalization of production would be dependent on a very close working relationship between a Canadian and a foreign manufacturer of inboard power cruisers. An arrangement, whereby both manufacturers will specialize their production in a fewer number of models and import the other company's boats in order to continue (especially in the case of the smaller producer) to supply a complete line of power cruisers to its domestic market, is probably more likely to result from a parent-subsidiary relationship than from an arm's length contractual arrangement between non-related firms. This is not to say that the latter is impossible but it might be more difficult to work out and to manage.

It is clear that the Remission Program is not a blanket licence to import inboard power cruisers, 25 feet or more in length, free of duty. To qualify, a manufacturer must have produced inboard power cruisers in Canada in the 1969 base year. A second criterion of paramount importance is that the duty remission is linked directly to, and is limited by the firm's increase in CVA over the CVA it attained in 1969. Since the value of imports on which duty is remitted is matched dollar for dollar with the increase in CVA, it is evident

that Canadian production of inboard power cruisers, 25 feet and over in length, cannot be reduced to the advantage of duty-free imports. Foreign producers and exporters of inboard power cruisers can only take advantage of the Program under an arrangement with a Canadian boat-builder who meets the "criteria" quoted above.

An increase in CVA⁽¹⁾ can be realized by increased production based on larger domestic and/or export sales. Thus it appears also that the Remission Program could be of benefit to existing or new Canadian producers of materials, parts, equipment and accessories used in the production of pleasure cruisers. A program designed to rationalize production with a foreign manufacturer, if successful, should lead to a larger output of a smaller range of models for the domestic and export market, and this, in turn, could lead to a higher degree of standardization; with standardization and larger output there is a greater likelihood of volume purchases in Canada of materials, parts, equipment and accessories. Greater reliance on Canadian-manufactured goods and articles increases, of course, a firm's CVA.

Although the Program is available to any company which might qualify, the Board has been given to understand that only two companies have participated in the Program to date, Shepherd Boats, Ltd., Niagara-on-the-Lake commencing in 1971 and Canoe Cove Manufacturing Ltd., Sidney, British Columbia from 1973. The first Remission Order, dated September 14, 1971, in favour of Shepherd Boats, Ltd., was published in the Canada Gazette⁽²⁾ and provided for a remission of \$66,993.00 in customs duty and sales tax. Since it is not customary to publish remission orders concerning a single company, subsequent orders have not been gazetted. The Board obtained, on a confidential basis, the amount of duty and sales tax remission granted both companies in subsequent years.

At the Board's public sittings, Mr. Peter Francis, Vice-President and General Manager of Shepherd Boats, Ltd., stated that major benefits had resulted from the rationalization made possible by the Duty Remission Program, which had enabled the company to specialize in the production of one 36-foot inboard power cruiser model for which it was allocated the entire North American market.⁽³⁾ The company, prior to 1971, was producing some fifteen models, ranging from 25 feet to 53 feet in length. The re-structuring of the company's operations and of its production methods made possible labour cost savings said to be quite dramatic: labour hours per model were cut by 37 per cent.⁽⁴⁾ Other advantages were said to have been realized, such as volume purchasing of components and in having specific parts and components made.

(1) It should be noted that the definition of "Canadian Value Added" as defined for purposes of the Remission Program, differs in important respects from the usual definition which is used by Statistics Canada. (See Chapter IV, p. 103, footnote)

(2) Canada Gazette, Part II, Vol. 105, No. 19, October 15, 1971

(3) Shepherd Boats, Ltd., was producing prior to the Remission Program, a 53-foot inboard power cruiser of its own design, originally made of wood surfaced with FRP, but now made entirely of FRP; it has maintained production of this model.

(4) See Chapter IV, p. 91

Mr. Francis stated that when Shepherd Boats was producing a number of different models, its performance had been unsatisfactory and that its operations would have been terminated by its United States parent, Trojan Yacht of Lancaster, Pennsylvania; he also commented on competition with Chris-Craft Corporation, a major United States power cruiser manufacturer formerly producing in Canada:

"The situation was that under the old scheme we were operating and when we were trying to make all types of Trojan boats there is no doubt that we were going to cease operations. We just could not make money on it. Our concern then became that we were going to lose all of these jobs and that Trojan would repatriate the Shepherd operation to the United States as had Chris-Craft. Trojan could then come back into Canada and compete with Chris-Craft on even footing without maintaining a facility in Canada. So we proposed this [Remission Program] as a means to try to keep Shepherd Boats alive in Canada and protect those jobs -- it wasn't a case of even increasing jobs, it was a case of trying to protect the ones that are there."(1)

Mr. Francis stated that Shepherd Boats would not have been competitive without the Duty Remission Program. The greater efficiency obtained through rationalization was said to have greatly improved the company's earnings position:

"The remission scheme has turned our company from a company that was consistently losing money to a company that today is healthy and making reasonable profits. Not the amount of remission but the efficiency we have developed which has increased the profit and Trojan Boats have generated a profit."(2)

Confidential information and data obtained from Shepherd Boats supports the statements made by Mr. Francis concerning certain of the benefits derived from rationalization. Although it is not possible to assess the relative importance of the different reasons which have led to the company's "healthy" position including, for example, managerial competence, there is no doubt that rationalization has contributed to the company's growth in sales and employment since the inception of the Program. For the fiscal year 1974, for example, sales are reported as being some five times those in 1969. "Canadian value added" has increased at a similar rate. As of January, 1975, the company's employment, at 280, was some three times greater than in 1970. Exports, both to the United States and to Europe, have risen rapidly and exceed company imports, which have also increased, by a considerable amount. The company furthermore, has more than doubled its plant facilities, through the purchase in 1974 of a plant of 50,000 square feet in Smithville, Ontario.

At the public sittings, Mr. Francis estimated retail price reductions averaged 15 per cent and stated that most of the remissions received were passed on to consumers:

(1) Transcript, Volume II, p. 296

(2) Transcript, Volume II, p. 296

"We pretty well passed on the entire rebate less the amount to cover the [U.S.] duty that we were paying to export boats into the United States."(1)

Information obtained by the Board indicates that the Remission Program did result in price benefits to the Canadian buyers of the inboard cruisers sold by Shepherd Boats. According to 1972 price data submitted, the Remission Program appears to have permitted retail price reductions, ranging from 6 to 12 per cent, depending on the model of inboard power cruiser sold. The price reductions resulted mostly from the lower production costs achieved on the inboard power cruisers built in Canada; a smaller part of the price reductions resulted from passing on to the consumer part of the duty and federal sales tax remissions.

It is reasonable to assume that due to the Remission Program, the United States parent company decided to keep the Shepherd plant in operation and to participate in a rationalization of production arrangement with its Canadian subsidiary. It would appear that the rationalization program introduced by Shepherd Boats, Ltd., would not have been possible without the incentive provided by the Remission Program. This is so because a few years are required before the necessary benefits from rationalization in terms of lower unit production costs and hence competitiveness in the United States market are realized; during this initial period the production of the Canadian subsidiary could be expected to be less profitable than if production for the Canada market were undertaken in the plants of the parent company in the United States. Costs of production are now believed to compare quite favourably with those of similar craft produced in the United States and the 36-foot inboard power cruiser produced by Shepherd Boats is fully competitive in that market after paying the United States duty of 5 p.c. The company, in 1974, extended its production under the rationalization arrangement with Trojan Yachts to include a new 24-foot FRP inboard power cruiser; the Remission Program does not apply to this model.

Shepherd Boats proposed in its brief that the existing Program be extended to apply to all sectors of the Canadian pleasure craft building industry and not only to inboard power cruisers of 25 feet or over. This proposal raises the question of the balance of advantages and disadvantages attaching to the extension of a duty remission program from one sector of an industry to the entire industry and, one can assume, to any Canadian industry which might seek similar tariff (and sales tax) treatment. These issues obviously go far beyond purely tariff considerations; they involve broader policy issues relating, in particular, to industrialization and commercial policies, e.g., the selective development of manufacturing industries. Also involved would be the policies and views of Canada's major trading partners. Quite obviously, the Board did not embark on a study of such magnitude. Nor did it consider in any detail what other sectors of the pleasure craft building industry in Canada might benefit from a duty remission program. Speaking generally, it is difficult to see why the producers of canoes, utility-boats and of the smaller sailcraft would be interested in such a program. It is conceivable, however, that at least some manufacturers of the larger sail-boats (usually with auxiliary power) and, perhaps, of the larger, more expensive runabouts, might see some advantage in a duty remission program of the type in effect since 1971. In view of the substantial benefits resulting from the rationalization which the Duty Remission Program made possible in the case of Shepherd Boats, Ltd., it is

(1) Transcript, Volume II, p. 303

probable that pleasure craft manufacturers in these other sectors of the industry (which are not dissimilar to the power cruiser sector) could negotiate and manage successfully similar production and purchase arrangements. This would help to raise productivity and make their operations more efficient and competitive.

Benefits should also accrue to consumers as a result of lower production costs and the duty and federal sales tax remissions.

The Board has more particularly considered the main arguments for and against the existing Duty Remission Program. (In doing so it inevitably has had to bear in mind the feasibility and advisability of duty remission programs as an instrument of industrial and commercial policy). The main considerations which emerge are as follows - they are not necessarily in order of importance:

1. The increased duty-free imports which constitute an integral part of the Program could be damaging to the interests of other Canadian producers of craft which compete with the imported craft. This case was advanced in rather general terms in a brief submitted by four pleasure craft producers in the province of Manitoba; the brief was supported, in similarly general terms, by the Minister of Industry and Commerce of that province. The companies were not represented at the Board's public sittings, but the Board was informed subsequently that the sales of one company, Alwest Marine Division of Cooper Boats Ltd.,⁽¹⁾ which was manufacturing a "House Cruiser" type of craft, had, it was claimed, been adversely affected by competition from power cruisers sold by Shepherd Boats, Ltd. In reply to the brief, the spokesman for Shepherd Boats said that the inboard power cruisers sold by his company did not compete with those produced by the Manitoba manufacturer. The Board has not been informed of any other case of "adverse competition" from cruisers imported under the Remission Program.

Nor has the Board received any representations from Canadian producers of power cruisers whose production and sales might have been affected by inboard cruisers made in Canada by Shepherd Boats, Ltd. in its "rationalized" operations following the setting up of the Duty Remission Program.

There is only one other manufacturer of production-line power cruisers in Canada, in addition to Shepherd Boats, Ltd.; this manufacturer, Canoe Cove Manufacturing, located in Sidney on Vancouver Island, has, since 1973, also participated in the Duty Remission Program. The Board has been informed that there has been little competition between these two companies.

2. The existing Program could be criticized as being discriminatory in that it is, in fact, restricted only to a few possible participants. A wider application of the Program as mentioned above might be considered more equitable. However, there would still be many producers - probably the majority, at least in terms of numbers - who would be unable to meet the requirements of a duty remission program, resulting in a situation where some producers would enjoy significant benefits not available to other producers competing

(1) This company was in operation, in Winnipeg, from 1970 to 1974.

directly with them. Also, as intimated above, an extension of the Program to the pleasure craft industry raises a question of equity vis-à-vis producers in other branches of Canadian industry, and whether more widespread use of the duty remission technique in question really offers the government a viable, desirable and generally acceptable, selective instrument of policy.

3. While a Remission Program involves, of course, a loss to the Canadian treasury, the Shepherd Boats, Ltd. experience suggests that with a successful program the loss would probably be offset in large part by higher corporate as well as personal income tax revenues.

4. In the view of some, a major disadvantage of the present Duty Remission Program, especially if it were broadened, is that it would encourage foreign take-overs (and control) of Canadian plants. This view was put forward quite strongly in the brief of the four Manitoba producers mentioned above. As noted, a rationalization arrangement between two producers is probably easier when there is common ownership than when they operate at arm's length. Moreover, to the extent that a duty remission program encourages rationalization between a Canadian and a United States producer, for example, it could lessen the opportunity for the more desirable all-Canadian rationalization between two producers within the domestic industry.

It is urged by others that if the benefits of rationalization cannot be obtained otherwise, then an arrangement between producers in Canada and abroad is desirable. They point out that as the increasingly efficient, "rationalized" Canadian subsidiary prospers, and grows through reinvestment of profits, and otherwise behaves as a "good corporate citizen", it is contributing at least as much to the Canadian economy as the numerous Canadian producers who manufacture under license and pay royalty fees abroad. Moreover, rationalization arrangements between Canadian and foreign producers could lead to similar arrangements between Canadian producers.

5. It may be that the Duty Remission Program, especially if it were to be substantially broadened, might attract criticism and perhaps even counter-measures from Canada's trading partners should they consider that such programs adversely affect their interests. It is difficult to say whether this situation would ever develop and this might depend in part on how widely the Duty Remission Program were used and on what products (e.g., at the present time, given the often over-riding importance of transportation costs, imports of boats from countries other than the United States are relatively quite small). In any event, the usual consultation procedures, most probably those under GATT, would be invoked and some solution or arrangement would presumably be found. It might be difficult to claim an infringement of the most-favoured-nation principle if the Remission Program was available to any foreign producer.

6. There is, also, the question of whether a remission of duty on goods imported into Canada could, in the case where the same firm⁽¹⁾ also exports to the United States, bring an action under section 303 of the United States Tariff Act of 1930 which provides for countervailing duties in any case where a bounty or grant is paid in the country of export upon the manufacture or production or export of any article or merchandise imported into the United States. The countervailing duty is to be equal to the net amount of such bounty or grant as ascertained and determined, or estimated, by the Secretary of the Treasury. Countervailing duty therefore seeks to neutralize any financial aid given to exporters to the United States of dutiable articles or merchandise.

Conceivably a complaint might be lodged, and a request made for a countervailing duty, by a competitor of the United States company which has entered into a rationalization arrangement with a producer in Canada under a duty remission program. The Board cannot guess whether a remission of duty of the type in question might be considered to be a "bounty or grant". It is difficult to see how this view might be upheld if the case came before the Secretary of the Treasury. The duty remission is not linked to the Canadian producer's exports but rather to the additional CVA he can attain; furthermore, it is granted upon the importation of United States-produced goods which are for consumption in Canada and not for subsequent re-exportation. Moreover, any United States producer is free to enter a similar arrangement with a producer in Canada. The basic objective of the Remission Program is to foster productivity and efficiency, through rationalization of production.

(1) Section 303: "Whenever any country, dependency, colony, province or other political subdivision of government, person, partnership, association, cartel, or corporation shall pay or bestow, directly or indirectly, any bounty or grant upon the manufacture or production or export of any article or merchandise manufactured or produced in such country, dependency, colony, province, or other political subdivision of government, and such article or merchandise is dutiable under the provisions of this Act, then upon the importation of any such article or merchandise into the United States, whether the same shall be imported directly from the country of production or otherwise, and whether such article or merchandise is imported in the same condition as when exported from the country of production or has been changed in condition by remanufacture or otherwise there shall be levied and paid, in all such cases, in addition to the duties otherwise imposed by this Act, an additional duty equal to the net amount of such bounty or grant, however the same be paid or bestowed. The Secretary of the Treasury shall from time to time ascertain and determine, or estimate, the net amount of each such bounty or grant, and shall declare the net amount so determined or estimated. The Secretary of the Treasury shall make all regulations he may deem necessary for the identification of such articles and merchandise and for the assessment and collection of such additional duties."

Temporary Admission of Pleasure Craft

There are special regulations covering the importation of pleasure craft by non-residents of Canada, including persons who maintain a summer residence in this country.⁽¹⁾ Such persons may temporarily import any "vessel used for health or pleasure purposes", owned or operated by them, free of duty and taxes, under a permit issued by a Collector of Customs and Excise. A Collector may issue a permit valid for a period not exceeding twelve months. Presumably, if the boat is exported before the expiry date and subsequently re-imported, a new permit could be obtained from a Collector. However, the Deputy Minister of National Revenue for Customs and Excise has the authority to direct that a permit be renewed for such further period and upon such terms and conditions as he deems expedient. Consequently, subject to obtaining the necessary permits, a non-resident may, in effect, permanently retain a boat in Canada without having paid any duty or taxes. Such boats are, however, subject to seizure and forfeiture if they are used by a resident of Canada, sold or otherwise disposed of to a resident of Canada, used for the transport of persons or goods for hire or reward or the transportation of goods for sale, or are not exported within the period in respect of which the permit was issued or renewed.

Canadians wishing to take their vessels into the United States may also do so free of duty. A headnote to the United States tariff items imposing duties on pleasure craft states that these items do not apply to "yachts or pleasure boats if brought into the United States by non-residents thereof for their own uses in pleasure cruising". Item 812.30 of the Tariff Schedules of the United States further provides free entry for boats imported by or for the account of any person arriving in the United States who is not a returning resident thereof, when imported in connection with the arrival of such person and to be used in the United States only for the transportation of such person, his family and guests, and such incidental carriage of articles as may be appropriate to his personal use of the boat. These exemptions do not appear to be applicable to canoes, racing shells, pneumatic craft and pleasure boats not of a type designed to be chiefly used with motors or sails; however, such craft are exempt if imported temporarily for use in a race in the United States.

Representations have been made to the Board that the Canadian Regulations are tantamount to permanent importation free of duty as long as the pleasure craft remains in the ownership and operation of the non-resident importer and is not used for commercial purposes and, furthermore, that the provision is detrimental to the Canadian pleasure craft industry. Similar representations were made to the Department of National Revenue in the spring of 1968, the Board is advised.

The Department of National Revenue does not maintain a central registry of data on the yearly volume of temporary permits issued throughout Canada. However, a study of this subject was undertaken by the Department of Industry, Trade and Commerce in 1970. The study showed that in 1969, less than 1,500 foreign-owned pleasure craft were stored in the Province of Ontario out of a total boat

(1) See Appendix C.2, National Revenue, Customs and Excise, Memorandum D1-2, dated July 12, 1973

population of approximately 370,000 craft. Thus, the number of foreign-owned craft stored in Ontario represented 0.4 per cent of the total number of boats in operation in that province. It was further estimated that of the 1,500 within this class approximately 650 were stored at Canadian marinas during the winter months, providing marina operators with income derived from storage charges and from repair and maintenance work performed during the off season.

The economic benefits derived by the tourist industry and Canadian marina operators, both from the summer operation and winter storage of these United States boats, probably offset any potential loss of boat sales that the Canadian pleasure craft industry might suffer. It is realized that this offset is of significance to marinas and other marine sales and service establishments - the Canadian boat producers has no part of that offset against any boat sales he might lose; however, some of his boats might have benefited from the United States duty-free entry granted non-resident Canadians.

How substantial the sales loss might be cannot be estimated. One would guess that it would be a relatively small minority of United States owners of boats, admitted under permit, who would have purchased their craft in Canada had the temporary permit privilege not existed; these owners could buy their boats at a lower retail price in the United States and, if they wished to keep it in Canada, would pay lower duties on their used boats. Nor would there be any problem if the owner subsequently wished to re-enter his boat in the United States.

On balance, even though the Board did not study the question of temporary entry in any detail because it hardly falls four square within its terms of Reference, the Board did not form the impression that the existing reciprocity between the two countries should be disturbed.

Temporary admission without payment of duty or taxes is also granted to residents or non-residents with respect to water craft imported to be raced in Canada. Such goods are admissible under the Article for Special Use Regulations (P.C. 1973-745 of March 27, 1973, as amended) either under an A.T.A. (Admission Temporaire-Temporary Admission) Carnet or Temporary Entry Form E29B. Watercraft so imported may remain in Canada for a maximum period of twelve months; this period may be extended by the Deputy Minister of National Revenue for Customs and Excise in any case when he considers it appropriate, on such terms and conditions as he may direct. Should the watercraft be diverted to any other use or remain in Canada beyond the prescribed period duties and taxes are payable.

Valuation for Customs Purposes

The value for duty of goods imported into Canada is normally determined in accordance with the provisions of sections 35 to 44 of the Customs Act (R.S. 1970, c. C-40 as amended). In these sections are set forth the procedures to be followed in establishing the value for duty purposes; in certain circumstances, including cases where the goods in question are used goods, the Minister of National Revenue is given the authority to prescribe methods of valuation. It is also on the basis of these sections that Customs Appraisers can question the fair market value of goods as declared on the Customs invoices.

The Customs Tariff, or more fully "An Act Respecting the Duties of Customs" (R.S. 1970, c. C-41, as amended), sets forth the rates of duty to be levied and states that its application is subject to the Customs Act. Consequently, the Customs Tariff does not set forth either the value for duty on which the duties are to be levied, or any method of determining the said value. However, there has for many years been an exception to this practice, with respect to the tariff items relating to ships and boats of all kinds, imported under tariff items 44000-1 (a tariff item not specifically referred to the Board), 44002-1, 44003-1 and 44004-1; the last three items were referred to the Board in so far as they relate to pleasure craft or pleasure vessels.

Tariff item 44000-1 relates to ships and vessels built in any foreign country, if British registered since September 1, 1902, and is applicable when an application is made for licence to engage in the Canadian coasting trade. By definition, British vessels include Canadian vessels; non-British vessels are excluded from the coasting trade.

Section 662 of the Canada Shipping Act (R.S. 1970, c. S-9), requires, when a coasting-trade licence is sought for any foreign-built British vessel, "the payment of a duty of twenty-five per cent ad valorem on the fair market value of its hull, machinery, furniture and appurtenances." Tariff item 44000-1, based on an earlier version of the Canada Shipping Act, requires the payment of the duty "on the fair market value of the hull, rigging, machinery, boilers, furniture and appurtenances thereof, (as provided in Part XV of the Canada Shipping Act)." The differences in wording are of no significance; the Canada Shipping Act contains definitions which state that the term "hull" includes the rigging and the term "machinery" includes boilers.

The common preamble to tariff items 44002-1, 44003-1 and 44004-1, which relate to vessels not coming within the purview of Part XV of the Canada Shipping Act, provides that the various rates of duty will also, as in the case of tariff item 44000-1, be applicable, with respect to the vessels in question, "on the fair market value of the hull, rigging, machinery, boilers, furniture and appurtenances thereof." For these three items, in contrast however to item 44000-1, there is no reference to the Canada Shipping Act, and the fair market value is the value "on arrival in Canada"; under item 44000-1, it is the fair market value at the time of application for the licence, that is taking into account, but not necessarily including the entire cost of, any repairs or improvements made after arrival in Canada but before application is made for the licence.

Reference in the Customs Tariff to the basis for valuation of water-borne craft was first introduced in 1879 in "An Act to Alter the Duties of Customs and Excise" (42 Vict., c. 15). At that time, a duty of 10 per cent ad valorem was imposed under an unnumbered item, on

"Ships and other vessels, built in any foreign country, whether steam or sailing vessels, on application for Canadian register, on the fair market value of the hull, rigging, machinery and all appurtenances."

By "An Act further to amend the several Acts imposing Duties of Customs and Excise", 1882, (45 Vict., c. 6), the item was divided into two parts, to provide that the 10 per cent rate should apply only to the "hull, rigging and all appurtenances, except machinery" and that a rate of 25 per cent be applied "on the boilers, steam engines and other machinery." This change affected only the rates, not the basis for valuation. In the Revised Statutes of Canada, 1886, Vol. I, c. 33, this tariff item was given the number 374. It was re-numbered 409, without change in wording or rates in 1897 (60-61 Vict., c. 16).

In 1902 there was passed "An Act respecting the Coasting Trade of Canada" (2 Edw. VII, c. 7). In subsection 2 of section 2, this Act provided that the Minister of Customs should issue a licence to engage in this trade to a foreign-built British ship, "whether registered in Canada or elsewhere, upon application therefor and upon the payment of a duty of twenty-five per cent ad valorem on the fair market value of the hull, rigging, machinery, boilers, furniture and appurtenances of such ship." This Act did not define fair market value for this purpose, but included, in section 5, a provision that the Act should be construed with reference to the Customs Act "and as forming one Act with it, and all words and expressions in this Act shall have the same meaning as the like words and expressions" in the Customs Act. The Customs Act then in effect contained detailed provisions as to the basis of valuation of imported goods and the methods of establishing such values. Thus, to the extent that fair market value had any meaning under the Customs Act, it was to have the same meaning with respect to ships under the Coastal Trade Act.

As a result of the coming into force of the Coastal Trade Act, there were duplicate provisions for duties on vessels entering the coasting trade. Further, the Coastal Trade Act provided for a rate of 25 per cent on the "hull, rigging and all appurtenances, except machinery", as opposed to the 10 per cent rate under tariff item 409. This anomaly was removed when tariff item 409 was repealed, effective April 17, 1903, by an amendment to the Customs Tariff (3 Edw. VII, c. 15, s. 2). Until 1907, there was no further reference in the Customs Tariff to vessels entering the coasting trade.

In the Revised Statutes of 1906, the Act respecting the Coasting Trade was consolidated with a number of other Acts relating to shipping and became Part XVI of Chapter 113, the new Canada Shipping Act. The provisions for an imposition of duty on foreign-built British-registered ships, on application for a licence to enter the coastal trade of Canada, became section 954 of the Act, and Part XVI continued to be subject to the Customs Act, by virtue of section 957. In the Revised Statutes of 1927, Chapter 186, these sections were numbered 934 and 937 respectively.

By an Act passed in 1907 (6-7 Edw. VII, c. 11), all previous Acts relating to the Customs Tariff were repealed, and a new tariff was enacted, with effect from November 30, 1906. In this Tariff, the provisions for ships to engage in the coastal trade was re-introduced as tariff item 589 with a cross-reference that this proviso was "as provided in Part XVI of the Canada Shipping Act." At the same time, and for the first time, a provision was inserted in this Customs Tariff regarding the basis for valuation of other vessels.

The provisions for vessels engaged in the coasting trade remained substantially the same until the passage of a new Canada Shipping Act in 1934. The previous Act was repealed in its entirety. In the new Act (24-25 Geo. V., c. 44), Part XIII related to the Coasting Trade and the section relating to a duty on foreign-built vessels was re-enacted as section 662, which read

"The Minister of National Revenue shall issue a licence to any such foreign-built British ship upon application therefor and upon the payment of a duty of twenty-five per centum ad valorem on the fair market value of her hull, machinery, furniture and appurtenances."

The section relating this part of the Act to the Customs Act was, however, not re-enacted, so that the definitions in the Customs Act were no longer applicable. In the Revised Statutes of 1952, c. 29, this became section 670, with the word "her" preceding hull being changed to "the". In the Revised Statutes of 1970, c. S-9, it became section 662 in Part XV of the Act.

In the Customs Tariff in effect prior to 1906, tariff item 410 provided for a duty to be levied on "canoes, skiffs, or open pleasure sail-boats of any material", but no mention was made of any special provisions regarding the value for duty. The Customs Tariff of 1907, in item 590, provided for duties on

"Vessels, dredges, scows, yachts, boats and other water-borne craft, built outside of Canada, of any material, destined for use or service in Canadian waters (not including registered vessels entitled to engage in the coasting trade, nor vessels in transit between Canada and any place outside thereof), n.o.p.: - on the fair market value of the hull, rigging, machinery, boilers, furniture and appurtenances thereof, on arrival in Canada."

This wording remains in the Customs Tariff, unchanged, as the preamble to Tariff Items 44002-1, 44003-1 and 44004-1, which were specifically referred to the Board in so far as they relate to pleasure craft.

Neither the Customs Tariff nor the Canada Shipping Act define the meaning of fair market value as it appears in section 662, in tariff item 44000-1 and in the preamble to tariff items 44002-1 to 44004-1, or the methods to be used in establishing this value. The Canada Shipping Act defines "hull" and "machinery"; as noted, these terms include "rigging" and "boilers". However, the terms "furniture" and "appurtenances" are nowhere defined. It is, however, understood, that the terms, taken collectively, are held to include the entire vessel at time of entry at Customs.

No serious problems arose with respect to the valuation of water-borne craft prior to 1963. In so far as the Board has been able to determine, the Department of National Revenue, Customs and Excise, applied the regular valuation provisions of the Customs Act to such goods. In that year, however, a dispute arose with respect to the valuation, under tariff item 44000-1, of two used vessels purchased for use in the coasting trade. This case came before the Tariff Board as Appeal No. 892. The appellant (the importer) argued that the value for duty should be arrived at on the basis of the fair market value provision in tariff item 44000-1 (at that time, 440). The respondent, the Deputy Minister of National Revenue, argued that value should be determined in accordance with section 39 (at that time, section 38) of the Customs Act which reads in part as follows:

"39. Where in any case or class of cases ...

(b) the goods imported ...

(ii) are used or obsolete goods ... the value for duty shall be determined in such manner as the Minister prescribes."

The resulting values for duty differed considerably. The importer contended that the "fair market value" of each vessel in terms of tariff item 44000-1, was \$125,000. The application of the Ministerial prescription regarding the valuation of used goods, made under Section 39, resulted in each vessel being valued at \$400,000.

The Tariff Board, in its Declaration dated July 24, 1968, decided in favour of the appellant. More specifically, the Board decided that section 38 (renumbered section 39) of the Customs Act and the Ministerial prescription should not have been applied but rather that the value for duty (which it found to be \$139,750 per ship) was to be determined in accordance with the ships' fair market value as provided in section 670 of the Canada Shipping Act and in tariff item 44000-1. The Tariff Board's decision was upheld on appeal to the Exchequer Court (now, the Federal Court).

As the Tariff Board's decision applied to used vessels under tariff item 44000-1, the Department of National Revenue might have chosen to continue to apply the valuation provisions of the Customs Act to vessels imported under tariff items 44002-1, 44003-1 and 44004-1. Appraisals made on this basis would, of course, have been subject to appeal. The Department, however, has chosen to take the position that the decision indicated that the wording of tariff item 44000-1, and the similar wording appearing in the preamble to the other three items, overrode the provisions of the Customs Act. Thus imports of pleasure craft within the scope of this Reference are valued for duty purposes in accordance with the provision contained in the preamble to the three tariff items involved, 44002-1, 44003-1 and 44004-1; as noted above, the provision reads:

"... on the fair market value of the hull, rigging, machinery, boilers, furniture, and appurtenances thereof, on arrival in Canada:"

As a result of the appeal, the Department of National Revenue is without a specific legislative guidance, as regards the "fair market value" of ships, as contained in sections 35 to 44 of the Customs Act; it should be noted that the Board indicated in its declaration on the appeal that it considered section 36 "a useful guide" in determining the fair market value of the ships in question. The Department has issued no public directive on the valuation of imported water-borne craft; it is understood, that, since the Appeal, it has tended to accept the declared price of such vessels as an indication of the true fair market value.

As regards importers and foreign exporters, there is no statutory provision on the basis of which they can determine, in advance, how the "fair market value" of water-borne craft is to be determined. This uncertainty would appear to be contrary to the provisions of the GATT with respect to the obligation to specify on a firm basis a member's valuation practices and procedures. If such goods were subject to the provisions of section 35 to 44 of the Customs Act, they would be subject to fairly explicit provisions designed to cover virtually any circumstances under which importations might be made.

More importantly, the automatic acceptance of invoice values would allow the entry, without restraint, of undervalued vessels. If the invoice value were also to be accepted as the "normal value" for the purposes of the Anti-dumping Act, no action could be taken under that legislation even if apparently undervalued vessels were causing or threatening to cause injury to the Canadian pleasure craft industry.

The removal from the Customs Tariff of any reference to valuation of pleasure craft would, of course, bring these goods under the provisions of sections 35 to 44 of the Customs Act. It is probable that such a change would have little effect on the value for duty of unused craft as the declared values are, in most cases, acceptable under the Customs Act. It is not unlikely that the application of the Ministerial prescription, under section 39, respecting used goods, would in some cases increase the declared value for duty of used boats; the number of instances where this might happen has been somewhat reduced by recent revisions to the prescribed method of establishing the fair market values of used goods.

It is possible that the references to the "rigging, machinery, boilers, furniture and appurtenances" were originally included in the tariff items relating to water-borne craft to ensure that, when cleared at Customs, these goods would be treated as units at a uniform rate of duty. The absence of such wording would create a situation parallel to that of house trailers and mobile homes under tariff item 43910-1. If such goods are invoiced as a unit, with a single value for the trailer and its contents, then the entire value is dutiable under tariff item 43910-1; if various furnishings are itemized and invoiced separately, these goods are then dutiable according to their own nature.

TARIFF CONSIDERATIONS RESPECTING PARTS, EQUIPMENT AND ACCESSORIES

In addition to the three tariff items pertaining to pleasure craft or pleasure vessels, the Minister of Finance directed the Tariff Board to make a study of tariff items 44019-1, 44022-1, 44025-1, and 44028-1 "as they relate to parts of, or equipment for, such pleasure craft or vessels". The history of these items is summarized in Appendix C.1.

As already noted, the Board was also directed to "include in its study such other tariff items related to component parts of pleasure craft or vessels as it may consider relevant to its enquiry". The Board has found that there are a great many such tariff items;⁽¹⁾ their relevance to the Board's inquiry into the pleasure boat-building industry, varies a good deal and, in a great many cases, the relevance is virtually non-existent.

What follows is based on information submitted by Canadian pleasure craft producers, by manufacturers and distributors of marine parts, ancillary equipment, accessories and power units, by the Department of National Revenue as regards the administration of the tariff, as well as information derived from the Board's analysis of import data. No directly relevant published statistics are available.

Tariff Items Specifically Referred

Tariff Item 44019-1

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
44019-1 Iron or steel masts, or parts thereof; iron or steel angles, beams, knees, plates and sheets; cable chain; all the foregoing for ships and vessels, under regulations prescribed by the Minister	Free	Free	Free	
G.P.T. rate from 1/7/74 to 30/6/84				Free

(1) The text and rates of 45 such tariff items are set out at P. 314 to p. 329.

This tariff item was established in May, 1930 as item 440f. Free entry has been provided since its inception under the B.P., the M.F.N. and General Tariffs. Free entry was provided under the General Preferential (G.P.T.) when it came into force on July 1, 1974. Although item 44019-1 allows the Minister of National Revenue to make regulations with respect to the item, the Board was informed by the Department of National Revenue that no such regulations have been issued.

Although certain types of masts for pleasure craft may be entered under tariff item 44019-1, this item pertains almost entirely to iron and steel products imported for use in the Canadian shipbuilding industry. It was the subject of a Tariff Board Report⁽¹⁾ in 1967. As noted in that Report "the iron or steel products covered by the tariff item (44019-1), except for masts and cable chain, are the principal materials used in ship construction and by far the most important of these is steel plate".⁽²⁾ The Board recommended at that time that the tariff item be left unchanged. An examination of more current entries under item 44019-1 (imports in 1974, were valued at \$28.3 million) reveals that almost no parts or equipment for pleasure craft are imported under this item. From all evidence it would appear that tariff item 44019-1 is of little relevance to domestic pleasure craft manufacture.

Tariff Item 44022-1

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
44022-1 Manufactures of iron, brass or other metal, of a class or kind not made in Canada, for use exclusively in the construction or equipment of ships or vessels, under regulations prescribed by the Minister	Free	Free	Free	
G.P.T. rate from 1/7/74 to 30/6/84				Free

Item 44022-1 was introduced in May, 1930 as item 440g, with free entry provided under the B.P., M.F.N., and General Tariffs. Free entry was provided under the General Preferential Tariff with effect from July 1, 1974. While this tariff item, like item 44019-1, allows the Minister of National Revenue to make regulations concerning the item, the Board was informed by the Department of National Revenue that no such regulations have been issued.

It is to be noted that tariff item 44022-1 applies only to (a) manufactures of metal, (b) which are ruled as not made in Canada, and (c) which are imported for use in the construction or equipment of ships or vessels.

(1) The Tariff Board, Iron or Steel Products Used in the Shipbuilding Industry, Reference No. 139, The Queen's Printer, Ottawa, 1967

(2) Ibid., p. 11

As explained below, tariff item 44022-1 appears to be, by some margin, the most important single tariff item applicable to imports of parts, ancillary equipment and accessories for pleasure craft in terms of the variety, volume and value of the goods and articles covered by this tariff item.

It should also be noted that the term "exclusively" in item 44022-1 is interpreted by the Department of National Revenue as meaning that "manufactures" entered under 44022-1 must be used only in the construction or equipment of ships or vessels. The term "exclusively" does not mean that 44022-1 is restricted to "manufactures" which have a marine use only, and many such "manufactures", e.g., fuel gauges, windshield wipers, hinges, stoves and refrigerators, have a number of non-marine uses also and are entered under other tariff items.

Pleasure craft parts, ancillary equipment and accessories entered under 44022-1 include the following "manufactures of metal":

Ammeters

Attachments, motor tiller, stainless steel

Bars, ski tow

Blowers, exhaust

Brackets, motor mount

Brackets, mounting (for tops, windshields)

Controls, engine (for throttles and transmissions)

Door latches

Drives for inboard/outboard motors

Engines, inboard, gasoline

Eyes, bow, steel and bronze

Gauges, fuel, oil, pressure, temperature

Goosenecks

Heads, marine (marine toilets)

Hinges

Horns, air

Kits, connection, steering

Kits, hardware, steering

Kits, installation, fuel tank

Levellers, self, automatic

Meters, hour, electric

Motors, inboard/outboard

Oar lock horns and sockets

Outhauls

Refrigerators

Seats

Sockets, boat cover

Speedometers

Stoves

Systems, steering

Table mounts

Tachometers

Filters for outboard motors

Ventilators

Wheels, steering, chrome plated

Winches

Wipers, windshield

The goods and articles listed above may, of course, be entered into Canada, and may be subject to duty, under a number of other tariff items because they are of a class or kind "made in Canada" and/or are not imported "for use exclusively in the construction or equipment of ships or vessels".⁽¹⁾ The following examples illustrate the foregoing:

Inboard gasoline engines used for pleasure boats, according to published Customs and Excise Memorandum D51-28-2 are entered duty free under 44022-1 if they have a continuous brake horsepower of less than 30 b.h.p. and a piston displacement of 30 cubic inches or less per cylinder. Larger inboard engines, which exceed these specifications, are ruled "made in Canada" and are imported under tariff item 42805-1 - "Engines or boilers and complete parts thereof, n.o.p.". This effectively means, for example, that the low horsepower inboards used as auxiliary power units in sail-boats are imported duty free; in contrast most of the larger inboards used in power cruisers are dutiable, under tariff item 42805-1 at 15 p.c. B.P. and M.F.N., at 30 p.c. under the General Tariff and at 10 p.c. under the General Preferential Tariff.

All inboard/outboard propulsion units, regardless of horsepower or cylinder displacement, are entered duty free under 44022-1. Also entered free are the drives for inboard/outboard motors when they are imported individually, that is, not as part of an inboard/outboard propulsion unit.

Most of the parts used for the assembly of outboard motors in Canada are also entered free under item 44022-1. However, outboard marine motors, when complete, are imported under item 42700-1, "Machines, n.o.p., and accessories, attachments, control equipment and tools for use therewith; parts of the foregoing", at 2½ p.c. B.P. and G.P.T., at 15 p.c. M.F.N. and 35 p.c. General Tariff.

With respect to galley stoves, where these are propane, butane or alcohol burning they are ruled by the Department of National Revenue to be of a class or kind not made in Canada and are correspondingly accorded duty-free entry under 44022-1. The same or similar stoves, when used for camper-trailers or for cottages, are dutiable under item 44300-1⁽²⁾ at 15 p.c. B.P., 20 p.c. M.F.N., 30 p.c. General Tariff and 13 p.c. G.P.T. Electric stoves used in larger power cruisers may also be dutiable under tariff item 44300-1.

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- (1) "Made in Canada" rulings with respect to parts, ancillary equipment and accessories for pleasure craft, may or may not be published.
- (2) "Apparatus, and parts thereof, for cooking or for heating buildings, not to include commercial food processing machines, namely, continuous pressure and atmospheric preheaters and cookers, and parts thereof, for sterilizing or for cooking or for both sterilizing and cooking food products in hermetically sealed containers"

Item 44022-1 applies to refrigerators of the kind used in pleasure boats depending, again, on specifications. Direct current (D.C.) and alternating current/direct current (A.C./D.C.) refrigerators are ruled to be of a class or kind not made in Canada and are entered free under 44022-1. However, propane operated refrigerators are ruled "made in Canada" and are dutiable under item 41506-1 - "Refrigerators, domestic or store, completely equipped or not, other than electric", at 17½ p.c. B.P., 20 p.c. M.F.N., 30 p.c. General Tariff and 13 p.c. G.P.T.; A.C. or A.C./D.C. refrigerators of the type used in pleasure craft may also be used for trailers or in cottages in which case they are dutiable under item 41505-1 - "Refrigerators, domestic or store, completely equipped or not, electric", at 17½ p.c. B.P., 20 p.c. M.F.N., 40 p.c. General Tariff and 13 p.c. G.P.T.

Marine heads are also ruled to be "made in Canada" if they are manually operated, and are imported under tariff item 28900-1⁽¹⁾ at 12½ p.c. B.P. and G.P.T., 15 p.c. M.F.N. and 35 p.c. General Tariff, or under item 43300-1 at 5 p.c. B.P. and G.P.T., 15 p.c. M.F.N. and 35 p.c. General Tariff.⁽²⁾ However, electrically operated marine heads are entered free under 44022-1 as being "not made in Canada", provided they are deemed to be manufactures of metal.

As stated above, tariff item 44022-1 is by far the most important single item applicable to parts, ancillary equipment and accessories for pleasure craft. But only part of the imports under this item are for pleasure craft, the bulk being destined for the shipbuilding (as against boatbuilding) and repair industry.⁽³⁾ As already indicated (Ch. VII, p. 243), total imports of all pleasure craft component parts, ancillary equipment and accessories (excluding motors and engines which are imported with new or second-hand pleasure craft) were estimated at \$15 to \$20 million in 1971-72. This compares with total imports under item 44022-1 of \$50.4, \$63.0 and \$74.0 million, in 1972, 1973 and 1974 respectively.

Imports under tariff item 44022-1 are classified under at least 29 different import commodity classes; the most important of these, as regards parts, ancillary equipment and accessories for pleasure craft, is c.c. 593-39 - "Parts and Accessories for Ships and Boats, n.e.s.". Total imports under that commodity class, in 1973 and 1974, were \$26.3 and \$30.4 million, respectively; of these imports \$19.7 million, or 75 per cent, and \$18.3 million, or 60 per cent, were entered under tariff item 44022-1 in 1973 and 1974, respectively.

(1) "Baths, bathtubs, basins, closets, closet seats and covers, closet tanks, lavatories, urinals, sinks and laundry tubs of earthenware, stone, cement, clay or other material, n.o.p."

(2) "Baths, bathtubs, basins, closets, lavatories, urinals, sinks, and laundry tubs of iron or steel, coated or not"

(3) Canada has a large shipbuilding and repair industry with shipments of some \$332 million and \$364 million in 1972 and 1973, respectively.

Tariff Item 44025-1

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
44025-1 Diesel and semi-diesel engines, of a class or kind not made in Canada, and complete parts thereof, for use exclusively in the construction or equip- ment of ships or vessels G.P.T. rate from 1/7/74 to 30/6/84	Free	Free	Free	Free

The nomenclature of this tariff item was introduced on January 1, 1939, pursuant to the Canada-United States trade agreement which came into force at that time. It provided for free entry for imports from countries granted M.F.N. status and, hence, from B.P. countries as well. In June, 1950, free entry was also granted under the General Tariff. As of July 1, 1974, free entry was extended to countries qualifying for General Preferential Tariff treatment.

According to a published "Made in Canada" ruling (Department of National Revenue Memorandum D51-15-3, dated 27 April 1970) diesel or semi-diesel⁽¹⁾ engines having a continuous rated brake horsepower within the range of over 500 b.h.p. to 4,000 b.h.p. inclusive, and a piston displacement of from 600 to 700 cubic inches per cylinder, are considered to be of a class or kind made in Canada.⁽²⁾ None of the diesel engines used in pleasure craft could approach the engine capacity indicated by these specifications. Thus the smaller diesel or semi-diesel engines used in pleasure craft are considered "not made in Canada" and are entered duty-free under tariff item 44025-1.

It is also pointed out that the "complete parts" for diesel and semi-diesel engines entered under tariff item 44025-1, are also entered duty-free under that item. This applies even though the parts for such engines may themselves have been ruled as "made in Canada".

The term "exclusively" as used in tariff item 44025-1 is interpreted in the same way as it is in item 44022-1.

Total imports under item 44025-1 amounted to \$29.8 million, \$30.3 million, and \$42.3 million in 1972, 1973 and 1974, respectively. Since diesel and semi-diesel inboard engines, compared to gasoline inboard engines, are infrequently used in pleasure craft, it is concluded that item 44025-1 applies almost entirely to imports related to the shipbuilding (as against boatbuilding) and repair industry.

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- (1) A semi-diesel engine is a form of diesel engine using an inducted spark for more precise ignition whereas a "pure" diesel employs the compression of the fuel mixture to its ignition point.
- (2) Diesel and semi-diesel engines ruled made in Canada are, unless otherwise provided for, entered under item 42815-1, "Diesel or semi-diesel engines, and complete parts thereof, n.o.p." at 15 p.c. M.F.N., 30 p.c. General Tariff and Free B.P. and G.P.T. Other diesel and semi-diesel engines not for marine use may be dutiable under item 42817-1, "Diesel and semi-diesel engines of 500 horsepower or less, and complete parts thereof, n.o.p." at 15 p.c. M.F.N., 30 p.c. General Tariff and Free B.P. and G.P.T.

Tariff Item 44028-1

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
44028-1 Chronometers and compasses, and parts thereof, including cards therefor, of a class or kind not made in Canada, for ships or aircraft	Free	Free	Free	
G.P.T. rate from 1/7/74 to 30/6/84				Free

This item is of little importance with reference to parts, ancillary equipment and accessories for pleasure craft since it covers only compasses and chronometers for use in ships or aircraft.

The item was originally established in November, 1906, and referred to, at that time, "chronometers and compasses for ships". In March, 1929 the item was revised with the now existing nomenclature being introduced. The free rate has applied under the B.P., M.F.N. and General Tariffs since 1906; free entry under the G.P. Tariff was provided as from July 1, 1974.

According to information provided by the Department of National Revenue, boat compasses are considered to be products of a class or kind not made in Canada and therefore qualify for duty free entry under 44028-1. Also, some compasses when attached to, or combined with, other articles or manufactures of metal may enter under tariff item 44022-1.

In contrast to the preceding three tariff items, no mention is made in item 44028-1 of the term "vessels". In this connection, the Board was informed that the Department of National Revenue makes no distinction in this case between a "ship" as against a "vessel" or a "boat", and that the omission of the term "vessels" does not prohibit the free entry under item 44028-1 of compasses (and chronometers, if any) of the type used in pleasure boats.

Imports under tariff item 44028-1 are relatively small, totalling \$616,000, \$683,000 and \$894,000 in 1972, 1973 and 1974, respectively. The item, from all evidence, relates for the most part to imports for the shipbuilding and aircraft industries.

Other Relevant Tariff Items

As already noted, the letter of reference also directed the Board to "include in its study such other tariff items related to component parts of pleasure craft or vessels as it may consider relevant to its inquiry". Whether a tariff item can be considered "relevant" to the Board's inquiry in these terms, would depend not only on the definition one gives to the term "component parts" in relation to every type and model of pleasure craft included in this reference, but also on the definition given to other terms used either in the Customs Tariff or in the letter of reference such as "parts", "complete parts" and "equipment"; there are also other terms such as "production parts", "ancillary equipment" and "accessories" that are

not found in the tariff items concerned or in the letter of reference but which are used in the pleasure craft industry.

The Board concluded that it would be futile to attempt any sort of precise definition of those various terms to cover all cases and circumstances. As an alternative, the Board established, for purposes of this Report and with the producers of pleasure craft in mind, three groups of goods and articles, namely: component parts; ancillary equipment and accessories; and power units (see the Introduction to Chapter VII, page 233).

The multiplicity of goods and articles contained in those three groups are entered under a large number of tariff items. Listed below in Table 8.16 are the text and the rates of duty of 45 such tariff items with an indication of the main parts, equipment, accessories and power units covered by each tariff item. The value of all imports under each tariff item is also shown.

The list of 45 tariff items listed in Table 8.16 does not purport to be complete. It includes items from 5 of the 12 Groups of goods and articles included in the Customs Tariff, Schedule A. The breakdown of the tariff items by Customs Tariff Group is as follows; as shown, more than 60 per cent of the items relate to manufactures of metal:

		<u>Number of Tariff Items</u>
Group VIII	Metals, and Manufactures thereof	28
Group X	Cotton, Flax, Hemp, Jute and Other Fibres, and Silk, Wool, and manufactures thereof	5
Group VII	Earths, Earthenware and Stoneware	5
Group XI	Miscellaneous	4
Group IX	Wood and Manufactures thereof	<u>3</u>
		45

As regards the level of the M.F.N. rates levied under the 45 tariff items, it varies from free (tariff item 44013-1 - Anchors for vessels, weighing forty pounds or over) to 25 per cent. Most items carry rates of either 17½ per cent or 20 per cent as shown below (the temporary reductions pursuant to the Budget of November 18, 1974, are not taken into account):

<u>M.F.N. Rate (GATT)</u>	<u>Number of Tariff Items</u>
Free	1
7½	1
15	7
17½	16
20	16
22½	2
25	<u>2</u>
	45

Table 8.16

Main Tariff Items Under Which Parts, Equipment, Accessories and Power Units for Pleasure Craft May be Entered
(the seven tariff items specifically referred to the Board are not included)

Tariff Item		Rate (p.c.)		Representative Parts, Equipment, Accessories and Power Units	All Imports 1974
		B.P. M.F.N. General	G.P.T.		
28900-1	(a)				\$'000
	Baths, bathtubs, basins, closets, closet seats and covers, closet tanks, lavatories, urinals, sinks, and laundry tubs of earthenware, stone, cement, clay or other material, n.o.p.	12½	20 35	Marine toilets; bathtubs; sinks	6,929
	G.P.T. rate from 1/7/74 to 30/6/84		12½		
28900-2	(a)				
	GATT Baths, bathtubs, urinals, sinks and laundry tubs of earthenware, stone, cement, clay or other material, n.o.p.		20	Bathtubs; sinks	461
	G.P.T. rate from 1/7/74 to 30/6/84		12½		
32300-1					
	Manufactures of laminated glass, n.o.p.	17½	20 35	Windshields, laminated	44
	G.P.T. rate from 1/7/74 to 30/6/84		13		

Table 8.16 (Contd.)

Tariff Item		Rate (p.c.)			Representative Parts, Equipment, Accessories and Power Units	All Imports 1974
		B.P.	M.F.N.	General		
				G.P.T.		\$'000
32305-1	(a) Mirrors of glass, bevelled or not, and framed or not, n.o.p.	17½	20	30	Mirrors	6,981
	G.P.T. rate from 1/7/74 to 30/6/84			13		
32615-1	Manufactures of glass, n.o.p.	10	20	22½	Windshields, tempered	13,136
	GATT		17½			
33900-1	G.P.T. rate from 1/7/74 to 30/6/84			10		
	Lead, manufactures of, n.o.p.	17½	17½	30	Keels, lead; centre-boards, lead	497
	G.P.T. rate from 1/7/74 to 30/6/84			11½		
35200-1	Brass and copper nails, tacks, rivets and burrs or washers; bells and gongs, n.o.p.; and manufactures of brass or copper, n.o.p.	17½	17½	30	Safety hasps; door keepers; deck plates; floor board clips, brass; tarpaulin clips, brass; pumps, cast bronze; propellers; fuel tanks and fuel systems; hardware for steering systems; engine shafts	62,761
	G.P.T. rate from 1/7/74 to 30/6/84			11½		
35215-1	Screws of brass, copper or other metal, n.o.p.	17½	17½	35	Screws	1,014
	G.P.T. rate from 1/7/74 to 30/6/84			11½		

Table 8.16 (Contd.)

Tariff Item	Rate (p.c.)		Representative Parts, Equipment, All Imports	
	B.P.	M.F.N. General G.P.T.	Accessories and Power Units	1974 \$'000
35400-1	15	17½ 30	Windshields, aluminum; chocks; bow handles; aluminum bow rails; aluminum rail stanchions; aluminum boat hooks; transom pads; boat cover sockets; boarding ladders; steering systems; sanitation systems; windshield wipers; propellers; castings; deck hardware; iceboxes, spars; booms; masts	80,427
36215-1	15	17½ 45	Cadmium-plated steel tiller cable spring; cast bronze windshield adjusters; die-cast hollow-base and solid base cleats; deck hardware kit; die-cast bow and stern handles; die-cast chocks; steering wheels; brass and bronze hinges; handrail fittings; base fittings; boat hook holders; paddle holders; boat cover sockets; tarpaulin clips; transom plates; rope deck fittings; fender holders; step plates; safety treads; drinking-glass holders; ventilators; air horns; hardware for steering systems; windshield wipers	53,388
36220-1	15	20 45	Lighters	5,681
			Cigar and cigarette lighters, n.o.p., nickel-plated, gilt or electro-plated	
			G.P.T. rate from 1/7/74 to 30/6/84	13

Table 8.16 (Contd.)

Tariff Item		Rate (p.c.)		Representative Parts, Equipment, Accessories and Power Units	All Imports 1974
		B.P.	M.F.N. General G.P.T.		
					\$' 000
36800-1	Clocks, time recorders, clock movements, clockwork mechanisms, and clock cases but not less than, each	15	25 35 50 cts.	Clocks	10,652
	G.P.T. rate from 1/7/74 to 30/6/84			15	
	Castings, of iron or steel:				
39102-1	Being moulds, n.o.p.	Free	7½ 10	Keels, iron; centre-boards, iron	359
	G.P.T. rate from 1/7/74 to 30/6/84			Free	
40113-1	Wire rope and strand, n.o.p.; wires, twisted, braided, bunched or otherwise conjoined, n.o.p.	10	15 25	Steel tiller cable with polyvinyl coating; engine control cables	11,656
	G.P.T. rate from 1/7/74 to 30/6/84			10	
	Wire of all metals or alloys thereof, n.o.p.:				
40123-1	Twisted, braided, bunched or otherwise conjoined, whether or not reinforced with steel, coated or covered or not, including cable, rope and strand	12½	17½ 25	Tiller rope	27,035
	G.P.T. rate from 1/7/74 to 30/6/84			11½	

Table 8.16 (Contd.)

Tariff Item		Rate (p.c.)		Representative Parts, Equipment, Accessories and Power Units	All Imports 1974 \$'000
		B.P.	M.F.N. General		
41505-1	Refrigerators, domestic or store, completely equipped or not:				
	Electric	20	35	40	Refrigerators
	GATT	17½	20		
	G.P.T. rate from 1/7/74 to 30/6/84			13	
	Other than electric	20	27½	30	Refrigerators
41506-1	GATT	17½	20		3,619
	G.P.T. rate from 1/7/74 to 30/6/84			13	
	Hand fire extinguishers, and sprinkler heads for automatic sprinkler systems for fire protection	17½	17½	35	Fire extinguishers
42405-1	G.P.T. rate from 1/7/74 to 30/6/84				7,350

Table 8.16 (Contd.)

Tariff Item		Rate (p.c.)		Representative Parts, Equipment, Accessories and Power Units	All Imports 1974
		B.P.	M.F.N. General		
42700-1	Machines, n.o.p., and accessories, attachments, control equipment and tools for use therewith; parts of the foregoing	2½	15	35	
					2,111,662
	G.P.T. rate from 1/7/74 to 30/6/84			2½	\$'000
<p>Except that in the case of the importation into Canada of any goods enumerated in this item, the Governor in Council on the recommendation of the Minister of Industry, Trade and Commerce may, whenever he considers that it is in the public interest and that the goods are not available from production in Canada, remit the duty specified in this item applicable to the goods, and subsections 17(2), (3), (4), (5) and (8) of the Financial Administration Act apply in the case of a remission granted under this provision.</p>					
42805-1	Engines or boilers and complete parts thereof, n.o.p.	15	15	30	39,310
	G.P.T. rate from 1/7/74 to 30/6/84				10

Table 8.16 (Contd.)

Tariff Item		Rate (p.c.)		Representative Parts, Equipment, Accessories and Power Units	All Imports 1974
		B.P.	M.F.N. General		
43000-1	Nuts and bolts with or without threads, washers, rivets, of iron or steel, coated or not, n.o.p.; nut and bolt blanks, of iron and steel	7½	17½	30	37,083
		G.P.T. rate from 1/7/74 to 30/6/84		7½	
43300-1(a)	Baths, bathtubs, basins, closets, lavatories, urinals, sinks, and laundry tubs of iron or steel, coated or not	5	25	35	3,325
		GATT		20	
44012-1	Anchors for vessels: Weighing less than forty pounds	15	15	25	159
		G.P.T. rate from 1/7/74 to 30/6/84		5	
44013-1	Weighing forty pounds or over	Free	Free	Free	234
		G.P.T. rate from 1/7/74 to 30/6/84		Free	

Stainless steel "U" bolts

Sinks; toilets

Table 8.16 (Contd.)

Tariff Item		Rate (p.c.)		Representative Parts, Equipment, All Imports Accessories and Power Units		1974 \$'000
		B.P.	M.F.N.	General	G.P.T.	
44300-1	Apparatus, and parts thereof, for cooking or for heating buildings, not to include commercial food processing machines, namely, continuous pressure and atmospheric preheaters and cookers, and parts thereof, for sterilizing or for cooking or for both sterilizing and cooking food products in hermetically sealed containers	15	20	30		80,003
	G.P.T. rate from 1/7/74 to 30/6/84				13	
44500-1 ^(a)	Electric light fixtures and appliances, n.o.p., and complete parts thereof	17½	20	30		44,074
	G.P.T. rate from 1/7/74 to 30/6/84				13	
44502-1 ^(a)	Electric head, side and tail lights, n.o.p.; electric torches or flashlights and complete part therefor	17½	20	30		6,996
	G.P.T. rate from 1/7/74 to 30/6/84				13	

Table 8.16 (Contd.)

Tariff Item		Rate (p.c.)			Representative Parts, Equipment, Accessories and Power Units	All Imports 1974
		B.P.	M.F.N.	General		
				G.P.T.		\$'000
44504-1	(a)				Light bulbs; sealed beams	21,870
	Electric arc lamps and incandescent electric light lamps, n.o.p.	15	20	30		
	G.P.T. rate from 1/7/74 to 30/6/84			13		
44512-1					Marine batteries	17,083
	Electric and galvanic batteries, n.o.p., and complete parts thereof, including separator walls of wood, cut to size or not	15	17½	27½		
	G.P.T. rate from 1/7/74 to 30/6/84			11½		
44524-1					Boat wiring kits and harness; switches; trader light kits	313,256
	Electric apparatus and complete parts thereof, n.o.p.	15	17½	30		
	G.P.T. rate from 1/7/74 to 30/6/84			11½		
44533-1					Marine radios	381,728
	Radio and television apparatus and parts thereof, n.o.p.	Free	15	25		
	G.P.T. rate from 1/7/74 to 30/6/84			Free		

Table 8.16 (Contd.)			
Tariff Item	Representative Parts, Equipment, Accessories and Power Units	All Imports	
		1974	
		\$' 000	

Rate (p.c.)	
B.P.	M.F.N. General G.P.T.

44603-1	Manufactures, articles or wares, of iron or steel or of which iron or steel or both are the component materials of chief value, n.o.p.	10	17½	35	Steering wheels, chrome; die-cast pulleys and shaft assembly; die-cast cable clamps and guides; stainless steel eye straps; zinc-plated "S" hooks; stainless steel pulleys; connection kits and parts for engine controls; stainless steel windshield hold down bolts; stainless steel bow rails; rail fittings; rail stanchions; boat cover sockets; base fittings; metal fuel tanks; windshield wipers; stainless steel hose clamps; outboard motor safety chains; pumps; propellers; sanitation systems; instrumentation and electrical accessories; instrument panels; masts; water tanks; iceboxes; booms; spars; keels; rudders; engine shafts	413,384
	G.P.T. rate from 1/7/74 to 30/6/84			10		
46200-1	Instruments for observation, measurement, experimentation or demonstration in respect of natural phenomena, n.o.p.; photographic, mathematical and optical instruments, n.o.p.; speedometers, cyclometers and pedometers, n.o.p.; parts of all the foregoing	2½	15	30	Speedometers; tachometers; barometers	44,834

G.P.T. rate from 1/7/74 to 30/6/84 2½

Table 8.16 (Contd.)

Tariff Item	Rate (p.c.)				Representative Parts, Equipment, All Imports	
	B.P.	M.F.N.	General	G.P.T.	Accessories and Power Units	1974
						\$'000
50600-1	15	15	25		Paddles, oars; boat rollers; flag staffs; centre-boards; keels; rudders	91,281
				10		
	G.P.T. rate from 1/7/74 to 30/6/84					
	House, office, cabinet or store furniture of wood, iron or other material, and parts thereof, not to include forgings, castings, and stampings of metal, in the rough:					
51901-1	15	20	45		Upholstered panels; bunks; padded seats; helmsman seats	111,616
				13		324
	G.P.T. rate from 1/7/74 to 30/6/84					
51902-1	15	17½	45		Yacht chairs	34,423
				11½		
	G.P.T. rate from 1/7/74 to 30/6/84					

Table 8.16 (Contd.)

<u>Tariff Item</u>		<u>Rate (p.c.)</u>		<u>Representative Parts, Equipment, Accessories and Power Units</u>	<u>All Imports 1974 \$'000</u>
		<u>B.P.</u>	<u>M.F.N. General</u>		
52305-1	Clothing, wearing apparel and other articles, made from woven fabrics wholly of cotton; all textile manufactures, wholly or partially manufactured, the component fibre of which is wholly cotton, n.o.p.	22½	22½	35	120,413
	Yarns and rovings, including threads, cords and twines, wholly or in part of vegetable fibres, n.o.p., not containing silk, wool or hair, man-made fibres or filaments nor glass fibres or filaments:				
54108-1	Other, n.o.p.	15	20	25	884
	G.P.T. rate from 1/7/74 to 30/6/84 except twines, cords and rope, n.o.p.				
				13	

Table 8.16 (Contd.)

Tariff Item		Rate (p.c.)		Representative Parts, Equipment, Accessories and Power Units	All Imports 1974
		B.P.	M.F.N. General		
					\$'000
54305-1	Clothing, wearing apparel and articles, made from woven fabrics, and all textile manufactures, wholly or partially manufactured, composed wholly or in part of vegetable fibres, n.o.p., when the textile component is not more than fifty per cent, by weight, of silk nor fifty per cent or more, by weight, of man-made fibres or filaments or glass fibres or filament, not containing wool or hair	22½	22½	Life-jackets; vests; convertible tops	15,744
56300-1	Clothing, wearing apparel and articles, made from woven fabrics, and all textile manufactures, wholly or partially manufactured, the textile component of which is fifty per cent or more, by weight, of man-made fibres or filaments or of glass fibres or filaments, not containing wool or hair	20	25	Flags and pennants, nylon; letters and numbers, nylon; nylon safety vests and life-jackets; nylon buoy rings	128,308

Table 8.16 (Contd.)

Tariff Item		Rate (p.c.)		Representative Parts, Equipment, Accessories and Power Units	All Imports 1974 \$'000
		B.P.	M.F.N. General G.P.T.		
56700-1	Sails for boats and ships; textile fabrics, in the web or with fused edges, for use in the manufacture of such sail	15	20 25	Sails	542
	G.P.T. rate from 1/7/74 to 30/6/84				
61800-1	Rubber cement and all manufactures of rubber and gutta percha, n.o.p.	15	17½ 27½	Hitches; snubbers; dock bumpers; b.j. bearings	57,609
	G.P.T. rate from 1/7/74 to 30/6/84				
61900-1	Rubber or gutta percha hose; rubber mats or matting and rubber packing	17½	20 35	Hoses; rubber packing; rubber mats	17,873
	G.P.T. rate from 1/7/74 to 30/6/84				

Table 8.16 (Contd.)

Representative Parts, Equipment, All Imports
Accessories and Power Units
1974
\$'000

Rate (p.c.)
B.P. M.F.N. General G.P.T.

Windshields, material unknown; emergency flare kits			
	15	17½	25
			11½
			77,987

Tariff Item

71100-1

All goods not enumerated in this schedule as subject to any other rate of duty, and not otherwise declared free of duty, and not being goods the importations whereof is by law prohibited

G.P.T. rate from 1/7/74 to 30/6/84

Duty shall not be deemed to be provided for by this item upon dutiable goods mentioned as "n.o.p." in any other tariff item.

When the component material of chief value in any non-enumerated article consists of dutiable material enumerated in this schedule as bearing a higher rate of duty than is specified in this tariff item, such non-enumerated article shall be subject to the highest duty that would be chargeable thereon if it were composed wholly of the component material thereof of chief value, such "component material of chief value" being that component material which exceeds in value any other single component material in its condition as found in the article.

Table 8.16 (Concl'd.)

Tariff Item	Rate (p.c.)		Representative Parts, Equipment, Accessories and Power Units	All Imports 1974
	B.P.	M.F.N. General G.P.T.		
93907-1	15	17½	30	202,007
	93907 - Articles of materials of the kinds described in headings 93901 to 93906 inclusive, n.o.p.			
	G.P.T. rate from 1/7/74 to 30/6/84		11½	
			Moulded thermoplastic motor well grommets; vinyl motor well boots; thermoplastic windshield insulation; nylon windshield hold down clips; plastic cleats; plastic fuel containers; polyethylene battery boxes; vinyl transom pads; vinyl boat fenders; vinyl fishing rod racks; convertible tops; boat cover sockets; steering systems; fuel systems; plastic steering wheels; reflectors; iceboxes; fuel tanks	

(a) The B.P. and M.F.N. rates of duty under the following tariff items were temporarily reduced to the rates shown below until June 30, 1976, pursuant to the Budget of November 18, 1974; the M.F.N. rates were reduced in all cases from 20 p.c., the B.P. rates from 17½ p.c.

Tariff Item	B.P.	M.F.N.
28900-1		15 p.c.
28900-2		15 p.c.
32305-1	15 p.c.	15 p.c.
43300-1		15 p.c.
44500-1	15 p.c.	15 p.c.
44502-1	15 p.c.	15 p.c.
44504-1		15 p.c.

As shown in Table 8.16 the total value of imports in 1974 under the 45 tariff items was close to \$4.7 billion; the value of imports ranged from a low of \$44,000 under tariff item 32300-1 (covering manufactures of laminated glass) to a high of \$2.1 billion under 42700-1 which is the "basket" item for machinery. Needless to say, imports of parts, equipment, accessories and power units for pleasure craft represent only a very small fraction of total imports under the 45 tariff items: a rough estimate indicates that it might be one half of 1 per cent to perhaps 1 per cent.

It would appear that of the 45 tariff items listed in Table 8.16 the following nine are the most important as far as the Canadian pleasure craft producers are concerned:

<u>Summary Description</u>	<u>Tariff Item</u>	<u>M.F.N. Rate (GATT)</u>	<u>Customs Tariff Group</u>
Non-metal baths, bathtubs, closets, etc., n.o.p.	28900-1	* 20%	Group VII
Manufactures of aluminum, n.o.p.	35400-1	17½%	Group VIII
Nickel-plated ware, gilt or electro-plated ware, n.o.p.	36215-1	17½%	" "
Refrigerators, ... other than electric	41506-1	20%	" "
Machines, n.o.p., etc.	42700-1	15%	" "
Engines or boilers and complete parts thereof, n.o.p.	42805-1	15%	" "
Apparatus, and parts thereof, for cooking or heating buildings, etc.	44300-1	20%	" "
Manufactures of iron or steel, etc., n.o.p.	44603-1	17½%	" "
Sails ... textile fabrics ... for use in making sails	56700-1	20%	Group X

* Temporarily reduced to 15% pursuant to the Budget of November 18, 1974.

Imports under these nine tariff items totalled \$2.8 billion in 1974. Unfortunately, as already indicated, there is no practicable way of arriving at the value of imports for pleasure craft under those items; based on the estimate of one half to one per cent suggested above with respect to the 45 tariff items, the percentage in this case might be between 1 and 1½ per cent.

In an effort to examine more closely the goods and articles (as against the tariff items) of greatest relevance to the pleasure craft industry, more specifically to the Canadian pleasure craft manufacturers, the Board, after consultation with the industry, established a list, excluding power units, of the principal parts, equipment and accessories for pleasure craft. They are set out in Table 8.17 as "component parts" which, as already defined for purposes of this Report (see Chapter VII, page 233), refer to goods and articles which are usually installed by pleasure craft manufacturers, even though they might also be sold directly to the boat buyer or installed by non-manufacturers such as marine and non-marine dealers and distributors and by marinas.

Table 8.17: Principal Component Parts Usually Installed by
Pleasure Craft Manufacturers, Showing Applicable
Tariff Items and Rates

Principal Component Parts	Tariff Item	If Ruled "Made In Canada" Rates of Duty (p.c.)				If Ruled "Not Made in Canada" Tariff Item
		B.P.	M.F.N.	Gen.	G.P.T.	
Ammeters	46200-1	2½	15	30	2½	44022-1 ^(a)
Barometers	46200-1	2½	15	30	2½	44022-1 ^(a)
Battery Boxes, Marine	93907-1	15	17½	30	11½	(d) (e)
Blowers, exhaust	42700-1	2½	15	35	2½	44022-1 ^(a)
Booms	35400-1	15	17½	30	11½	44022-1 ^(a)
	44603-1	10	17½	35	10	44022-1 ^(a)
Bow and hand rails, and fittings therefor	35400-1	15	17½	30	11½	44022-1 ^(a)
	44603-1	10	17½	35	10	44022-1 ^(a)
Bow eyes, steel and bronze ^(c)	44603-1	10	17½	35	10	44022-1 ^(a)
	35200-1	17½	17½	30	11½	44022-1 ^(a)
Brackets, mounting, for tops and windshields ^(c)	35400-1	15	17½	30	11½	44022-1 ^(a)
	36215-1	15	17½	45	11½	44022-1 ^(a)
	44603-1	10	17½	35	10	44022-1 ^(a)
	93907-1	15	17½	30	11½	(e)
Bunks	51901-1	15	20	45	13	(d)
Cables, tiller and control	40113-1	10	15	25	10	(d)
Centre-boards	33900-1	17½	17½	30	11½	44022-1 ^(a)
	39102-1	Free	7½	10	Free	44022-1 ^(a)
	50600-1	15	15	25	10	(e)
Controls for engines and motors	42805-1	15	15	30	10	44022-1 ^(a)
Clocks, marine	36800-1	15	25	35	15	44022-1 ^(a)
Gauges, fuel, oil pressure, temperature	35200-1	17½	17½	30	11½	44022-1 ^(a)
	44603-1	10	17½	35	10	44022-1 ^(a)
Goosenecks ^(c)	35400-1	15	17½	30	11½	44022-1 ^(a)
	36215-1	15	17½	45	11½	44022-1 ^(a)
	44603-1	10	17½	35	10	44022-1 ^(a)
	93907-1	15	17½	30	11½	(e)

Table 8.17 (Contd.)

Principal Component Parts	Tariff Item	If Ruled "Made In Canada"				If Ruled "Not Made in Canada"	
		Rates of Duty (p.c.)				Tariff	Item
		B.P.	M.F.N.	Gen.	G.P.T.		
Hardware, deck, hull, and interior	35200-1	17½	17½	30	11½	44022-1	(a)
	35400-1	15	17½	30	11½	44022-1	(a)
	36215-1	15	17½	45	11½	44022-1	(a)
	93907-1	15	17½	30	11½		(e)
Hardware, marine, n.o.p.	35200-1	17½	17½	30	11½	44022-1	(a)
	35400-1	15	17½	30	11½	44022-1	(a)
	36215-1	15	17½	45	11½	44022-1	(a)
	93907-1	15	17½	30	11½		(e)
Hardware, steering, and kits for steering systems	35200-1	17½	17½	30	11½	44022-1	(a)
	35400-1	15	17½	30	11½	44022-1	(a)
	36215-1	15	17½	45	11½	44022-1	(a)
	93907-1	15	17½	30	11½		(e)
Heads and holding tanks	(b) 28900-1	12½	20	35	12½		(f)
	(b) 28900-2	12½	20	35	12½		(f)
	GATT		20				
	(b) 43300-1	5	25	30	5	44022-1	(a)
	GATT		20				
Horns, air	36215-1	15	17½	45	11½	44022-1	(a)
Hoses	61900-1	17½	20	35	13		(e)
Hose fittings	(c) 44603-1	10	17½	35	10	44022-1	
Iceboxes	35400-1	15	17½	30	11½	44022-1	(a)
	44603-1	10	17½	35	10	44022-1	(a)
Keels, lead	33900-1	17½	17½	30	11½	44022-1	(a)
Keels, iron	44603-1	10	17½	35	10	44022-1	(a)
Keels, wood	50600-1	15	15	25	10		(e)
Levellers, self, automatic and manual (c)	42700-1	2½	15	35	2½	44022-1	(a)
Lights and lamps	(b) 44500-1	17½	20	30	13		(d)
	(b) 44502-1	17½	20	30	13		(d)
Masts	35400-1	15	17½	30	11½	44022-1	(a)
Meters, hour (c)	46200-1	2½	15	30	2½	44022-1	(a)

Table 8.17 (Contd.)

Principal Component Parts	Tariff Item	If Ruled "Made In Canada"				If Ruled "Not Made in Canada"	
		Rates of Duty (p.c.)				Tariff	Item
		B.P.	M.F.N.	Gen.	G.P.T.		
Oar lock horns and sockets ^(c)	35400-1	15	17½	30	11½	44022-1	(a)
	36215-1	15	17½	45	11½	44022-1	(a)
	44603-1	10	17½	35	10	44022-1	(a)
	93907-1	15	17½	30	11½		(e)
Outhauls ^(c)	35400-1	15	17½	30	11½	44022-1	(a)
	36215-1	15	17½	45	11½	44022-1	(a)
	44603-1	10	17½	35	10	44022-1	(a)
	93907-1	15	17½	30	11½		(e)
Panels for instruments	44603-1	10	17½	35	10	44022-1	(a)
Panels, upholstered	51901-1	15	20	45	13		(f)
Plates, deck and step, and safety treads	36215-1	15	17½	45	11½	44022-1	(a)
Propellers	35200-1	17½	17½	30	11½	44022-1	(a)
	35400-1	15	17½	30	11½	44022-1	(a)
Pumps, bilge (and other)	35200-1	17½	17½	30	11½	44022-1	(a)
	42700-1	2½	15	35	2½	44022-1	(a)
	44603-1	10	17½	35	10	44022-1	(a)
Refrigerators	41505-1	20	35	40	13	44022-1	(a)
	GATT	17½	20				
	41506-1	20	27½	30	13	44022-1	(a)
	GATT	17½	20				
Rigging	35200-1	17½	17½	30	11½	44022-1	(a)
	35400-1	15	17½	30	11½	44022-1	(a)
	36215-1	15	17½	45	11½	44022-1	(a)
	40113-1	10	15	25	10	44022-1	(a)
Rudders	44603-1	10	17½	35	10	44022-1	(a)
	50600-1	15	15	25	10		(e)
Seats, helmsman	51901-1	15	20	45	13		(e)
Seats, padded	51901-1	15	20	45	13		(d)
Shackles	35400-1	15	17½	30	11½	44022-1	(a)
	36215-1	15	17½	45	11½	44022-1	(a)
	44603-1	10	17½	35	10	44022-1	(a)
Shafts for inboard engines	35200-1	17½	17½	30	11½	44022-1	(a)
	44603-1	10	17½	35	10	44022-1	(a)

Table 8.17 (Contd.)

Principal Component Parts	Tariff Item	If Ruled "Made In Canada"				If Ruled "Not Made in Canada"	
		Rates of Duty (p.c.)				Tariff	Item
		B.P.	M.F.N.	Gen.	G.P.T.		
Sinks	(b) 28900-1	12½	20	35	12½	(d)	(f)
	(b) 28900-2	12½	20	35	12½	(d)	(f)
	(b) GATT 43300-1	5	25	35	5	(d)	
	GATT		20				
Sockets for boat covers (c)	35400-1	15	17½	30	11½	44022-1	(a)
	36215-1	15	17½	45	11½	44022-1	(a)
	44603-1	10	17½	35	10	44022-1	(a)
	93907-1	15	17½	30	11½	(e)	
Spars	35400-1	15	17½	30	11½	44022-1	(a)
	44603-1	10	17½	35	10	44022-1	(a)
Speedometers	46200-1	2½	15	30	2½	44022-1	(a)
Stanchions and fittings therefor	35400-1	15	17½	30	11½	44022-1	(a)
	44603-1	10	17½	35	10	44022-1	(a)
Steering wheels	36215-1	15	17½	45	11½	44022-1	(a)
	44603-1	10	17½	35	10	44022-1	(a)
	93907-1	15	17½	30	11½	(d)	
Steering wheels, chrome plated (c)	36215-1	15	17½	45	11½	44022-1	(a)
Stoves	44300-1	15	20	30	13	44022-1	(a)
Switches, electric	44524-1	15	17½	30	11½	(d)	
Tachometers	46200-1	2½	15	30	2½	44022-1	(a)
Tanks, fuel and water	35200-1	17½	17½	30	11½	(d)	
	44603-1	10	17½	35	10	(d)	
	93907-1	15	17½	30	11½	(d)	(e)
Tillers	44603-1	10	17½	35	10	44022-1	(a)
	50600-1	15	15	25	10	(e)	
Tops, convertible	54305-1	22½	22½	35	-	(d)	(e)
Transom pads	93907-1	15	17½	30	11½	(e)	
Ventilators	36215-1	15	17½	45	11½	44022-1	(a)
	42700-1	2½	15	35	2½	44022-1	(a)

Table 8.17 (Concl'd.)

Principal Component Parts	Tariff Item	If Ruled "Made In Canada"				If Ruled "Not Made in Canada"	
		Rates of Duty (p.c.)				Tariff	Item
		B.P.	M.F.N.	Gen.	G.P.T.		
Winches, electric and manual	35400-1	15	17½	30	11½	44022-1	(a)
	36215-1	15	17½	45	11½	44022-1	(a)
	42700-1	2½	15	35	2½	44022-1	(a)
	44603-1	10	17½	35	10	44022-1	(a)
Windshields	32300-1	17½	20	35	13	(d)	(e)
	32615-1	10	20	22½	10	(d)	(e)
	GATT		17½				
	35400-1	15	17½	30	11½	(d)	
	71100-1	15	17½	25	11½	(d)	(e)
Wipers, windshield ^(c)	35400-1	15	17½	30	11½	44022-1	(a)
	36215-1	15	17½	45	11½	44022-1	(a)
	44603-1	10	17½	35	10	44022-1	(a)
	93907-1	15	17½	30	11½	(e)	
Wiring kits and harnesses	44524-1	15	17½	30	11½	(d)	

(a) Tariff item 44022-1 provides for free entry under all tariffs.

(b) The B.P. and M.F.N. rates of duty under the following tariff items were temporarily reduced to the rates shown below until June 30, 1976, pursuant to the Budget of November 18, 1974; the M.F.N. rates were reduced in all cases from 20 p.c. and the B.P. rate from 17½ p.c.

<u>Tariff Item</u>	<u>B.P.</u>	<u>M.F.N.</u>
28900-1		15 p.c.
28900-2		15 p.c.
43300-1		15 p.c.
44500-1	15 p.c.	15 p.c.
44502-1	15 p.c.	15 p.c.

(c) These component parts are currently ruled "not made in Canada" and are entered free of duty. As indicated in the table, they are entered as manufactures of metal under tariff item 44022-1, with the exception of inboard diesel engines which are entered free of duty under tariff item 44025-1. The tariff items and rates shown for the component parts to which this footnote applies, indicate the most probable tariff classification and rates of duty should the existing "not made in Canada" rulings be changed to "made in Canada".

(d) No tariff item is shown because the component parts in question are made in Canada and there is no foreseeable reason to think that such production will cease.

(e) The made in Canada status of these goods does not affect their tariff classification.

(f) The made in Canada status of non-metallic goods does not affect their tariff classification.

The principal component parts shown in Table 8.17 are imported under 28 tariff items, all of which are included in the 45 tariff items listed in Table 8.16.

The level of the M.F.N. rates (GATT rates) levied under the 28 tariff items in Table 8.17 is quite close to that of the 45 tariff items listed in Table 8.16: the M.F.N. rates are all at 15, 17½ and 20 p.c. with three exceptions, namely tariff item 39102-1 which carried an M.F.N. rate of 7½ p.c., tariff item 54305-1 with a rate of 22½ p.c. and tariff item 36800-1 with a rate of 25 p.c. As indicated in Table 8.17 (footnote (b)), a number of the M.F.N. 20 p.c. rates were reduced to 15 p.c. until June 30, 1976 pursuant to the Budget of November 18, 1974. It is noted also that under tariff item 42700-1, the "basket" item for machines (see Table 8.16), the Governor in Council may, under certain conditions, remit the duty.

* Representations and Proposals

A number of representations and proposals relating to parts, equipment and accessories were made to the Board. These are summarized below in two groups: those relating to the consolidation of tariff items, and those relating to the made or not made in Canada status of parts, equipment and accessories. A third group relates to the duties on raw materials used in the manufacture of pleasure craft.

Consolidation of Tariff Items

The joint brief of Dominion Auto Accessories Limited and Aqua-Marine Mfg. Limited (Dominion/Aqua) proposed a single tariff item covering imports of all parts and accessories for pleasure craft. These two affiliated companies, based in Toronto, are major manufacturers of such parts and accessories. The Dominion/Aqua submission suggested that a consolidation of the numerous tariff items now applicable into one "basket" tariff item would simplify the administration of the Customs Tariff. Dominion/Aqua would support such a revision provided the rates of duty established for the consolidated tariff item approximated the various rates now applicable; these companies recommended a B.P. rate of 15 p.c. and an M.F.N. rate of 17½ p.c. Dominion/Aqua wished to see electric lights for pleasure craft constitute one exclusion, however, to the basket item suggested.

The brief of the British Columbia Boat Builders Association also suggested a simplification of the present tariffs on marine parts and accessories. This brief proposed the deletion of tariff items 44019-1, 44022-1, 44025-1 and 44028-1 and the addition of two consolidating tariff items.

Subsequent to receiving the Dominion/Aqua recommendations, other major domestic manufacturers of pleasure craft parts and accessories indicated general support for the Dominion/Aqua proposed.

"Made in Canada" and "Not Made in Canada" Status

The brief of Findlay Imports Ltd., North Vancouver, contended that aluminum spars and spar hardware, deck hardware, and sail handling equipment used in sailing yachts were not made in Canada in sufficient quantity or adequate quality, and advocated removal of duties on such items. McVay Fibreglass Yachts, Limited, Mahone Bay, N.S., also indicated that anodized aluminum masts were not domestically produced. During the public sittings, the spokesman for C & C Yachts Manufacturing Ltd., Niagara-on-the-Lake, stated that anodized aluminum masts were available in Canada but not in lengths exceeding 30 feet.⁽¹⁾

The brief of the Nova Scotia Boatbuilders Association proposed that tariff items 44019-1 and 44022-1 be expanded to cover a wider field of goods or equipment, not made in Canada. A "type, size, and/or quality not made in Canada" wording was advocated for these two tariff items in contrast to the existing, and more standard, "class or kind" provision. Reynolds Aluminum Company of Canada Ltd., Montreal, opposed this recommendation, stating: "We wish to register our opposition to these proposals which would provide major loopholes for importation free of duty of materials directly competitive with those which are produced in Canada. ... All that would be necessary to qualify for free entry under the [type, size, and/or quality] wording ... would be to order a width which is fractionally different from those widths which are produced in Canada, and which would be of a size not made in Canada."⁽²⁾

The Society of the Plastics Industry of Canada pointed out that the free-entry provided under tariff item 44022-1 applies only to metal components. This brief proposed a new tariff item which would provide duty-free entry for plastic components for pleasure craft if such parts are not made in Canada: "There is a need for similar tariff concessions for component parts of other materials (for example - plastics) not available from Canadian manufacturers. While the Canadian plastics industry (moulders, extruders, etc.) can produce on a competitive basis, there are occasions (principally short runs) when it is economically unsound to produce."⁽³⁾ The Society of the Plastics Industry of Canada did not believe item 44019-1 in its present form was applicable to present day pleasure craft construction and suggested that this item be modernized.

Finally, the brief of Dominion/Aqua contended that certain duty-exempt pleasure craft components (convertible top hardware and bow eyes) were made by them in quantities sufficient to qualify for "made in Canada" status but have not been so ruled.

(1) With reference to these submissions concerning the existing "made in Canada" or "not made in Canada" status of certain parts, equipment, or accessories for pleasure craft, it is pointed out that changes in "made in Canada" rulings are administered by the Department of National Revenue, Customs and Excise, and not by the Tariff Board. The Board thus cannot, except in the case of an appeal to the Board respecting tariff classification, properly make any comment on the validity of existing rulings.

(2) Transcript, Volume III, page 547

(3) Transcript, Volume III, page 484

Duty on Raw Materials

The brief submitted by Chestnut Canoe Company Limited, Fredericton, proposed that tariff item 56205-1 be reduced or removed in so far as it related to the production of small water craft. Item 56205-1 applies to certain woven fabrics made of glass fibres or filaments, and provides for an M.F.N. rate of duty of 25 per cent plus a specific duty of 15¢ per pound. It was contended that this tariff is unusual in that the raw material imported under it is subject to a much higher rate of duty than the finished marine product. Grew Limited, Penetanguishene, made similar representations. McVay Fiberglass Yachts Limited proposed that tariff item 56205-1 be adjusted to 12½ p.c. with no specific duty applied.⁽¹⁾

The Marine Trades Association of British Columbia proposed that "the Canadian Government should reduce to zero, the tariff on all raw materials and ingredients that go into the manufacture of boats."⁽²⁾

The Brussels Tariff Nomenclature

In the part of this Chapter dealing with tariff considerations relating to pleasure craft, the structure of the B.T.N. has been described in some detail. Its application to parts and accessories is now considered, particularly in relation to Section XVII - "Vehicles, Aircraft, and Parts Thereof; Vessels and Certain Automatic Equipment", and to Chapter 89, included in that Section, which covers "Ships, Boats and Floating Structures."

Unlike the other Chapters of Section XVII, Chapter 89 makes no provision for parts, except, as noted above, for unfinished hulls, incomplete vessels, assembled, unassembled or disassembled and complete vessels, unassembled or disassembled. All other parts are classified elsewhere in the Nomenclature, with the appropriate Heading being determined by the character or nature of the product involved. In a few cases such as, for example, sails and anchors, there are specific Headings; many are classified in basket Headings such as "other products of wood". The wide range of Headings which are applicable is illustrated by the following extracts from the "Explanatory Notes".

Extract from Notes to Chapter 89

Contrary to provisions relating to the transport equipment falling within other Chapters of Section XVII, the present Chapter excludes all separately imported parts (other than hulls) and accessories of vessels or floating structures, even if they are clearly identifiable as such. Such parts and accessories are classified under the appropriate headings elsewhere in the Nomenclature, for example:

(1) As already noted (see footnote, p. 127), the Board is currently engaged in a study - Reference 151 - of glass fibres and filaments. Tariff item 56205-1 was not, however, specifically included in this Reference.

(2) Transcript, Volume III, page 579

- (1) The parts and accessories specified in Note 2 to Section XVII.
- (2) Wooden oars and paddles (heading 44.28).
- (3) Ropes and cables of textile material (heading 59.04), or of iron or steel wire (heading 73.25).
- (4) Sails (heading 62.04).
- (5) Masts, hatch-ways, ships' rails and parts of hulls, having the character of structures, etc., falling within heading 73.21.
- (6) Iron or steel anchors (heading 73.30).
- (7) Propellers and paddle-wheels (heading 84.65).
- (8) Rudders (heading 44.28, 73.40, etc.) and other steering and rudder equipment for ships (heading 84.59).

Note 2 to Section XVII, cited above, relates to all the Chapters of the Section, and not all the products excluded from this Section by this Note are relevant to pleasure craft. The following extracts from the Explanatory Notes to Section XVII, however, indicate some of the other relevant Headings.

Extracts from Notes to Section XVII

- (A) Parts and Accessories excluded by Note 2 to Section XVII.

This Note excludes the following parts and accessories, whether or not they are identifiable as for the articles of this Section:

- (1) Joints, gaskets, washers and the like, of any material (rubber, leather, paperboard, etc.); these are classified according to their constituent material or in heading 84.64.
- (2) Parts of general use as defined in Note 2 to Section XV, for example: cable, chain (whether or not cut to length or equipped with end fittings), nails, bolts, nuts, washers, cotters and cotter pins, springs (including leaf springs for vehicles) (such goods of base metals fall in Chapters 73 to 81, and similar goods of artificial plastic materials generally fall in heading 39.07); and locks, fittings or mountings for vehicle coachwork (e.g., made up ornamental beading strips, hinges, door handles, grip bars, foot rests, window opening mechanisms), non-electric lamps or lighting fittings (e.g., for horse drawn vehicles), number plates, nationality plates, etc. (such goods of base metals fall in Chapter 83, and similar goods of artificial plastic materials generally fall in heading 39.07).

- (3) Spanners, wrenches and other tools falling within Chapter 82.
- (4) Bells (e.g., for cycles) and other articles falling within heading 83.11.
- (5) Machines and mechanical appliances, and parts thereof, falling within headings 84.01 to 84.59, for example:
 - (a) Boilers and boiler equipment (heading 84.01 or 84.02).
 - ...
 - (d) Engines of all kinds including engines fitted with gear-boxes (for road vehicles, aircraft, railway vehicles, ships, etc.) and parts thereof, falling within headings 84.06 to 84.08.
 - (e) Pumps, compressors, fans, blowers and the like (heading 84.10 or 84.11).
 - ...
 - (h) Mechanical appliances for projecting, spraying or dispersing liquids or powders; fire-extinguishers (heading 84.21).
 - ...
 - (m) Windscreen wiping mechanisms of heading 84.59.
- (6) Certain other goods of Chapter 84, e.g.:
 - (a) Taps, cocks, valves and similar appliances (e.g., radiator drainage taps, inner-tube valves, etc.) (heading 84.61).
 - (b) Ball, roller or needle roller bearings (heading 84.62).
 - (c) Internal parts of engines or motors (crankshafts, camshafts, flywheels, etc.) falling within heading 84.63.
- (7) Electrical equipment of Chapter 85, for example:
 - (a) Electric generators, motors, transformers, etc., of heading 85.01.
 - (b) Electro-magnets, electro-magnetic clutches, brakes, etc., of heading 85.02.
 - (c) Electric accumulators (heading 85.04).

- (d) Electrical starting and ignition equipment for internal combustion engines (starter motors, sparking plugs, etc.) (heading 85.08).
- (e) Electrical lighting, signalling, windscreen wiping, defrosting, demisting, etc., equipment for cycles or motor vehicles (heading 85.09); electrical signalling apparatus for other vehicles (e.g., trains) or for aircraft or ships (heading 85.17); electrical defrosters or demisters for such other vehicles, aircraft or ships (heading 85.22).
- (f) Electrical heating units for motor or railway vehicles, aircraft, etc. (heading 85.12).
- ...
- (h) Radio transmitters and receivers (heading 85.15).
- (ij) Electrical capacitors (heading 85.18).
- (k) Fuses, switches and other electrical apparatus of heading 85.19.
- (l) Electric filament lamps and electric discharge lamps of heading 85.20.
- (m) Other electrical fittings, such as insulated electric wire and cable (including wiring assemblies) and electrical carbons, whether or not fitted with terminals; insulators, insulating fittings (headings 85.23 to 85.28).
- (8) Instruments and apparatus of Chapter 90, including those used on certain vehicles, such as photographic cameras (heading 90.07), cinematographic apparatus (heading 90.08), searchlight (heading 90.13), air navigation instruments (heading 90.14), measuring or checking instruments of heading 90.16, medical, dental, etc., instruments and appliances of heading 90.17, X-ray, etc., apparatus of heading 90.20, manometers (heading 90.24) and revolution counters, taximeters, speed indicators, etc. (heading 90.27).
- (9) Clocks (e.g., dashboard clocks) (Chapter 91).
- ...
- (C) Parts and accessories covered more specifically elsewhere in the Nomenclature.

Parts and accessories, even if identifiable as for the articles of this Section, are excluded, however, if they are covered more specifically by another heading elsewhere in the Nomenclature, e.g.:

- (1) Profile shapes of unhardened vulcanised rubber (heading 40.08).
- ...
- (4) Tool-cases of leather or of composition leather, of vulcanised fibre, etc. (heading 42.04).
- (5) Textile carpets (headings 58.01 and 58.02).
- ...
- (7) Towing ropes (heading 59.06).
- (8) Unframed safety glass consisting of toughened or laminated glass, whether or not shaped (heading 70.08).
- (9) Rear-view mirrors (heading 70.09 or Chapter 90 -- see corresponding Explanatory Notes).
- (10) Unframed glass for vehicle head-lamps (heading 70.14), and, in general, the goods of Chapter 70.
- (11) Flexible shafts for speedometers, revolution counters, etc. (heading 84.63).
- (12) Vehicle seats of heading 94.01.

The foregoing extracts are illustrative of the wide variety of Headings involved, but do not necessarily include all those that are relevant. Consequently, a tariff schedule for parts for pleasure craft, based on the B.T.N., would require the creation of a large number of tariff items, very few of which would correspond to an entire Heading of the B.T.N. The task of identifying all the relevant B.T.N. Headings would be extremely difficult, and, in most cases, goods included in this Reference would constitute only a small part of the coverage of the relevant Headings. Nonetheless to the extent that such goods could be identified individually and classified to the appropriate heading(s), it would be possible to make separate provisions for them with appropriate rates, under the relevant Headings.

Main Issues Respecting Tariff Treatment

In examining the advisability and feasibility of modifications in the existing tariff treatment with respect to parts, accessories and equipment, a number of considerations and alternatives emerge. What appear to be the most important are discussed below.

As stated in the Introduction to this Report (page 8), the Board concluded from a consideration of the scope of its inquiry that the main concern of this Reference was with the pleasure craft building industry as such. As pointed out, a study of the parts, accessories and equipment involved in the pleasure craft industry would have called for an unduly large number of studies, some of which would have constituted major undertakings in themselves in that they would have taken the Board into a large number of different industries. The

demand of the pleasure craft industry generally represents only a small part of the output of these industries, the total requirements of the producers and of others in the pleasure craft industry being, in most cases, relatively small. Certain industries, such as those producing or assembling marine motors and engines, would clearly have called for a major, separate study involving, to some degree, the automotive industry which supplies inboard engines and a number of accessories and pieces of equipment to the pleasure craft industry. Roughly the same situation would have obtained with respect to goods and articles such as galley and bathroom equipment and accessories, textile goods and manufactures of metal and plastic, the bulk of which is of course destined to non-marine uses.

The Board nonetheless collected some data - there are no published statistics available - through visits to the main Canadian manufacturers of parts, accessories and equipment for pleasure craft, as well as to the marine distributors, marinas and others which sell both domestic and imported marine-related goods and articles. As already noted in previous sections of this Chapter, and in Chapter VII, the number of parts, accessories and equipment involved is quite large involving some fifty tariff items. The information and data were brought together by the Board in order to assess the significance and importance of "parts, accessories and equipment" (whether they be generally considered essential or "optional") for the pleasure craft industry, and especially for those who manufacture pleasure craft. Thus a special effort was made with respect to the gathering of information and data relating to "component parts" which, as defined in this Report, refer to those parts and items of equipment which are normally installed in the pleasure craft by the boat-builders.⁽¹⁾

The Board found it difficult in practice to define and arrive at sensible categories of parts, accessories and equipment which could form a sound basis for clear-cut tariff classifications and, hence, well-defined tariff items. In any event it is clear that any basis of categorization would have to be quite arbitrary.

Perhaps the most far-reaching recommendation which could be made, in terms of tariff structure, to modify the existing tariff relating to parts, equipment and accessories for pleasure craft would, at the same time, obviate the need for a categorization of such goods and articles: this alternative tariff treatment would be to bring all pleasure craft parts, accessories and equipment for pleasure craft into a single tariff item. This approach certainly commends itself from the standpoint of simplicity, convenience and ease of administration, in contrast to the existing tariff which provides for pleasure craft parts, accessories and equipment under a great number and diversity of tariff items.

(1) Table 8.17 above sets out most principal "component parts". Table 4.6 (p. 84-86) indicates the distribution of per unit production costs, including the cost of "component parts", for six types of pleasure craft. As set out in Chapter VII (p. 243), "component parts" were valued at \$8 - \$10 million in 1972 - or about one third of the total Canadian market for parts, equipment and accessories. Some 68 per cent of "component parts" were imported.

Such a consolidation of the existing tariff items was, as already noted, proposed by Aqua-Marine Mfg. Limited and the Dominion Auto Accessories Limited in their joint brief to the Board. Subsequent interviews with other Canadian manufacturers and distributors also revealed general support for the creation of a single tariff item. What was not as clear, or unanimous, however, was the rate or rates to be imposed on the goods and articles classified under the proposed single tariff item; many supported the single item for reasons of greater clarity and convenience provided the item were set up in such a way as to maintain, by and large, the existing tariff rates.

There are a number of difficulties and disadvantages, of varying importance, attaching to the single or "basket" tariff item approach: the main ones are set out below, not necessarily in order of importance.

A single tariff item would provide for a single rate of duty and would not, therefore, provide the individual and different rates as are now applied to the widely differing pleasure craft parts, equipment and accessories which are imported.

The establishment of a single, separate tariff item to cover the great variety of goods and articles comprising parts, equipment and accessories for pleasure craft would constitute an "end-use" tariff item. Whereas there are some 1,000 or so tariff items in the Canadian Customs Tariff in which products are classified on the basis of the use to which they are to be put, still most of the items in the Tariff cover goods and articles which are specifically named (the "eo nomine" principle) or which are classified according to their constituent material, or their character or nature.

It is not usual in the Customs Tariff to classify parts, accessories and equipment, especially when these are as numerous and varied as they are in the case of the pleasure craft industry, in a single tariff item; to do this with respect to the pleasure craft industry could be viewed as special or discriminatory treatment by other industries, particularly if the new tariff rate or rates were to be set at a more favourable level than the existing rates. Many products which are pleasure craft parts, equipment and accessories have a variety of other uses (e.g., pumps, engine instruments and controls, batteries, stoves, toilets, refrigerators, carpeting). The establishment of a single, separate tariff item for such products when they are for use in pleasure craft could be criticized by other users of the same products especially if lower rates of duty were to apply when the products are used in or with pleasure craft.

The present Canadian tariff provides, as often mentioned above, for the classification of parts, accessories and equipment for pleasure craft in a variety of tariff items depending, for example, on the nature or on the composition of the goods and articles in question. Since this is also the case in the Brussels Nomenclature, the creation of a single item for pleasure craft

parts, accessories and equipment at this time would have to be partly reversed (i.e., as to structure at least, if not as to rates), when, as is generally expected, the Canadian Customs Tariff is modified to accord with the almost universally accepted Brussels Tariff Nomenclature and structure.

A major issue with respect to the establishment of a single, "end-use" tariff item for pleasure craft parts, equipment and accessories, is: to whom should it apply? Should it be limited to the pleasure craft producer who builds in or installs them as "component parts" (as defined previously)? Might it also apply to those, such as distributors, dealers, marinas and other outlets, who import or purchase parts, equipment and accessories and install them in pleasure craft? Or should it apply to all importers, without distinction? It has already been established that the after-market for pleasure craft parts, equipment and accessories is appreciably larger than the sales of "component parts" to pleasure craft producers. As for the latter, their costs of production are increased as a result of the tariff, generally high, which applies to the "component parts" which they buy either from producers in Canada (who generally "price up" to the tariff) or from foreign suppliers; as discussed below, such higher costs would be of particular importance should the tariff protection provided the Canadian boat-builder be reduced.

Another serious issue attaching to the proposed single tariff item concerns the rate or rates of duty which should apply. The item could provide free entry where it now exists. Free entry could also be provided for all parts, accessories and equipment (and not only for those now classified and entering free of duty under item 44022-1) which are ruled not made in Canada.

As for dutiable imports, the proposed item could establish a single rate schedule for goods and articles ruled as made in Canada. The level of this schedule of rates could be set so that it is in line with, higher or lower than, the existing tariff rates in the 45 tariff items listed in Table 8.16. From the examination of the rates under those 45 tariff items it would appear that the majority of the M.F.N. rates range from 15 p.c. to 20 p.c., with the high part of the range being more common (see pages 330 and 338 and Table 8.17). It is not possible to calculate an average rate because it is impossible to weigh the many different rates in accordance with the level of imports of parts, equipment and accessories which are imported at these different rates.

It is noted that if the proposed single item were to carry a rate, for example, of 17½ p.c. M.F.N. on dutiable imports, this would not be of any particular assistance to the pleasure boat-builders since it would appear that the existing rates of duty might average out at that level or perhaps somewhat lower; some existing rates would, however, be raised, e.g., exhaust blowers, tiller and control cables, engine controls, fuel gauges, tachometers and ventilators are now dutiable at 15 p.c. M.F.N. Generally speaking, it is considered desirable to establish a schedule of tariff rates with respect to an industry in such a way that the rates of duty applying to at least most of the materials and component parts it uses are at the most equal to or less than those applying to the finished product. On the other hand, the single schedule of rates which might be established for the proposed

"basket" item is bound to affect existing protection to varying degrees. It cannot be so low that it would affect adversely the level of justifiable protection currently afforded the products of a number of industries which supply parts, equipment and accessories to the pleasure craft industry.

As noted above, a "basket" tariff item respecting pleasure craft parts, equipment and accessories could be restricted to apply to pleasure craft manufacturers: the item could specify "parts, equipment and accessories used in the manufacture of pleasure craft". A restricted "basket" item of this nature, with lower rates of duty than those which now exist, would provide a measure of (tariff) cost relief to pleasure craft manufacturers specifically. As already pointed out, this would be of merit particularly in the event that other tariff recommendations made by the Board should reduce the existing level of tariff protection afforded the domestic pleasure craft producers. A minor disadvantage of a restricted "basket" item is that it would introduce a further tariff item and rate schedule, applicable in certain circumstances.

As noted, there exists a large replacement market for pleasure craft parts, equipment, or accessories. Indeed, the bulk of these are entered for this replacement market. Thus a basket tariff item restricted to pleasure craft manufacturers only would cover a minority of parts, equipment, and accessories used for pleasure craft.

It is important to point out also that existing tariff item 44022-1, affording duty-free entry for certain qualifying parts, equipment and accessories, makes no distinction as to whether or not such products are used by pleasure craft manufacturers; item 44022-1 applies to manufactures of metal "for use exclusively in the construction or equipment of ships or vessels". Assuming the status quo is to be maintained, any basket item should, therefore, make provision for continued free-entry as now provided in item 44022-1 for goods and articles ruled as not made in Canada. Indeed free entry on the same terms could be extended to manufactures of materials other than metal, such as plastics, as recommended by the Society of the Plastics Industry of Canada.

An alternative to the end-use item discussed in the preceding paragraphs, would be to include in any proposed tariff item or items respecting pleasure craft, a provision to include "parts" for such craft. The term "parts" would have to be defined with a good deal of precision; it could include all "parts, equipment and accessories" as used in this report, thus excluding materials, marine motors and engines. Different schedules of tariff rates could be provided for such tariff item or items. The existing provisions for free entry could be maintained, and the "made in Canada" rates might be set at about the same level as would apply to the pleasure craft itself. The issue as to whom the proposed tariff item or items would apply to the issue discussed above, need not arise in the case of this alternative tariff structure. One disadvantage of this alternative, assuming different rates of duty were made to apply to different types of pleasure craft, would be that identical parts, equipment and accessories would attract different rates of duty depending on the level of protection afforded the pleasure craft involved.

It is interesting to note that the United States Tariff Schedule (see page 255-256) makes use of a single tariff item for parts, equipment and accessories for pleasure craft; item 696.15 covers parts for certain yachts or pleasure boats, e.g., yachts and pleasure boats of the type entered under items 696.05, yachts or pleasure boats valued not over \$15,000 each, or 696.10, yachts or pleasure boats valued over \$15,000 each. On the other hand, for other types of pleasure craft (canoes, racing shells, pneumatic craft, and pleasure boats not specifically provided for), parts are entered under the tariff item and rate prevailing for the craft themselves as being "parts of the foregoing". Furthermore, in the United States tariff structure, pleasure craft parts, equipment and accessories may be entered under a number of other items at other rates of duty, by virtue of a General Interpretive Rule, under headnote 10(ij) which reads: "A provision for 'parts' of an article covers a product solely or chiefly used as a part of such article, but does not prevail over a specific provision for such parts".

There is one further tariff recommendation to be considered - as recorded above, it was made to the Board by the Nova Scotia Boat-builders Association and concerns tariff items 44019-1 and 44022-1. The Association recommended that more goods and articles be granted free entry under those two tariff items by including imports of a "type, size, and/or quality not made in Canada". While certain tariff items in the Customs Tariff are based on "types or sizes" made or not made in Canada (e.g., tariff items 44051-1, 44052-1, 44055-1 and 44056-1, pertaining to parts of aircraft and parts of aircraft engines, n.o.p.), there is no precedent for any quality provision of this nature in the Tariff. It can be expected that such a provision would be difficult if not impossible to administer.

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CHAPTER IX: CONCLUSIONS AND RECOMMENDATIONS

INTRODUCTION

The first section of this chapter summarizes the Board's findings as they emerge from its analysis of the information and data set out in the preceding chapters. The second section of the chapter presents the Board's conclusions and recommendations. The tariff items recommended by the Board, that is the tariff structure, nomenclature, rates, and related matters, are explained and set out in the third and final section of the chapter.

It should be noted that the Board's conclusions and recommendations are based not only on the most recent public data and information, but also on information obtained in confidence by the Board in accordance with the Tariff Board Act. Confidential information usually relates to the affairs of individual companies in Canada and cannot be revealed because it would then become available to the competitors of those companies.

It should also be recorded that the Board, in the course of its inquiry, heard and received a wide variety of comments, estimates and opinions on a number of issues where greater consistency might have been expected; in certain cases conflicting evidence was put before the Board, both verbally and in writing. As a result, in setting out its findings and in arriving at its conclusions and recommendations, the Board has to rely in large measure on its own estimates and assessments, while taking fully into account whatever degree of consensus existed within the industry, within its different component sectors, and in the main producing regions of the country. It should be added that the Board received no evidence relating to the consumer interest. Nonetheless, the Board was not unaware of such interest, at least as regards the lower-priced types of pleasure craft.

THE PLEASURE CRAFT BUILDING INDUSTRY TODAY

The broad impression one gets of the Canadian pleasure craft building industry today is not a very encouraging one. Despite its record of significant growth over the past decade, and the notable achievements of some of its member companies, the over-all picture that emerges from the present study is that of a rather small, generally weak industry, fragmented into a large number of quite modest establishments which are widely dispersed geographically. Many appear to be struggling for viability within a limited market area, and all too frequently they lose or give up the struggle in spite of the protection afforded the industry by higher than average rates of duty. Just across the border the giant United States pleasure craft industry, some fifteen times the size of the Canadian industry, and notably more strongly based, more productive and, over-all, with less adverse seasonal handicaps, stands ready and able to ship anything from a single cruiser to a truck-load of smaller craft to almost any place in Canada.

The sad result is that the Canadian pleasure craft industry, with some exceptions, has not been able to benefit, as fully as it

might have, from the rapidly expanding Canadian and North American market for pleasure boats.

Ease of entry into many sectors of the industry largely accounts for the existence of well over two hundred pleasure craft producers in Canada, the great majority of which are quite small. Together they employ some three thousand, mostly unskilled, workers and the value of their factory shipments, in 1972, was about \$53 million, a figure which can be roughly equated with shipments of snow-mobile parts or kitchen cabinets (\$50.7 and \$42.0 million respectively, in 1970). Average annual output per factory is probably well under \$400,000 and nearly 70 per cent of the establishments employ nine or fewer people. The average pleasure craft manufacturing establishment is only one fifth the size of the average manufacturing establishment in Canada, and it appears to be about half the size of its United States counterpart.

Given the size of the establishments and the high cost of transporting boats, it is not surprising that with the exception of a mere handful of the very largest companies, these plants, scattered as they are across Canada, serve a very local and hence a very limited market. Typically they lack financing for expansion - expansion which bigger markets, which escape them, could make possible - and, because they are almost entirely without a research and development capability, they also tend to show less initiative in matters of design and construction if not always as regards layout and style. The great majority are highly and deliberately imitative of the larger United States boat makers. However, there are a few praiseworthy exceptions to that general observation, for example, in the sailcraft sector.

Notwithstanding that boat factories are widely dispersed across the country, there does exist a high degree of concentration in terms of both production and marketing. The Provinces of Ontario and British Columbia together represent three quarters of the market and production. Production is most highly concentrated in Ontario. Factories in and around the three major Canadian cities - Montreal, Toronto, and Vancouver - produce three quarters, by value, of total Canadian production. Similarly, the twenty-four largest firms account for 70 per cent of total shipments.

In addition to the relatively small number of large companies, whose craft are generally marketed through distributors and dealers, there exist in this industry a very large number of smaller producers, most of whom sell their products directly to the consumer. These differences in marketing methods, together with the likelihood that the smaller producers have lower administrative costs and are willing to accept lower profit margins, enable the smaller firms to compete with the larger, in terms of price, in their own market areas, as these factors offset their undoubtedly higher production costs. Indeed, the existence of these differentials is probably an encouragement for small firms producing small FRP craft to enter into and remain in the industry, and this may partly account for the large number of them. On the other hand, the high cost of tooling undoubtedly deters entry into the production of aluminum craft. The production of expensive, quality FRP sailcraft, power cruisers and certain large runabouts requires more capital and a high degree of know-how, competence and skills which cannot be brought together quickly or easily. Nonetheless,

there is a surprisingly large number of small producers of such craft which manage, however precariously in many cases, a reasonably successful operation.

Apart from a few outstanding exceptions, Canadian boat-builders are not as productive as, nor are they competitive with, United States producers. As a result, the latter have aggressively and successfully penetrated the Canadian market in quantity with all types of pleasure craft except canoes. On the other hand, except for auxiliary-powered, high-performance sail-boats, canoes, and certain types of power cruisers, the Canadian industry has had very little success in marketing boats in the United States in recent years, in spite of very low customs duties into that country.

The United States pleasure craft producer with an interest in the Canadian market can probably produce boats at up to 20 per cent less cost than can his Canadian counterpart, by virtue of the many comparative advantages he enjoys, most notably greater scale of production, longer production runs, lower cost of materials, lower overhead and even, more recently, lower labour costs. The latter, coupled with much lower productivity in Canada, has now resulted in higher per unit labour costs in the Canadian than in the United States pleasure craft industry; these costs had been roughly equal in 1971.

These advantages, and other important favourable factors, including proximity in many cases to the larger Canadian population centres and, to an unknown degree, the DISC program, have made it possible for United-States-made craft to capture, despite high customs duties of 17½ and 25 p.c., an increasing share of the Canadian market. In this connection, it is not clear at this time whether the increase in imports in 1974 and 1975 was exceptional, but in any event, the United States share of the total Canadian market for pleasure craft increased sharply to about 50 per cent. An important contributing factor in this development was the severity of the economic recession in the United States which reduced substantially the demand and prices there while they remained high and, indeed, increased in Canada.

Meanwhile, as noted, Canadian exports to the United States consist only of auxiliary sail-boats, power cruisers and some canoes; most of the cruisers are exported under a special rationalization (of production) arrangement with a related producer in the United States. Not more than six or so Canadian pleasure craft companies are currently exporting in any important way, and Canada, which in years past (1968-1972) was a net exporter of pleasure craft, now has a trade deficit of some considerable size - \$20.8 million in 1974 and some \$19.2 million in the first seven months of 1975.

An indication of the over-all position of the Canadian pleasure craft industry is provided by the closing of several of the larger, better known plants; in two of these instances production was transferred to United States facilities. Another quite recent development is the opening up of production facilities (subsidiaries) in the United States by four major Canadian producers. It is to be noted, however, that United States corporations, in spite of the relatively high Canadian tariffs, do not appear to be particularly interested in opening or taking over pleasure craft plants in Canada. It appears, moreover, that the turnover rate among small plants is rather high, perhaps some 20 per cent per annum, with the total number of plants

remaining about the same over time. There is evidence, however, that this is a characteristic of the pleasure craft industry as it is of others.

The foregoing are not characteristics of a healthy industry, nor do they portend for it a strong future. Yet, when the industry is examined on a sectoral basis, a somewhat brighter prospect emerges. Not all sectors are in trouble and there exist in the pleasure craft industry, a number of companies, large and small, which have been able to cope successfully with the inherent problems of the industry. An outstanding example has been the sailcraft sector.

Sail-Boats - An export-oriented, highly innovative, aggressive sub-industry, sailcraft producers make one third (by value) of all Canada's pleasure craft, employing some 40 per cent of all pleasure craft workers. They supply 85 per cent of the domestic market for sailcraft and 16 per cent of the total domestic market for pleasure craft of all kinds. Sailcraft exports exceed sales on the home market in dollar value, and account for two thirds of all pleasure craft exports. These exports, largely of auxiliary-powered sail-boats but also, more recently, of small, centre-board-type sailcraft (due in large part to the success of one producer in Montreal), doubled in the 1971-1975 period. Imports into the Canadian sailcraft market consists principally of small, low-priced craft of the centre-board type, made in the United States.

The sailcraft sector has been the most rapidly growing sector within the pleasure craft industry; sail-boat shipments (about 95 per cent are of FRP construction) comprised some 33 per cent of total pleasure craft shipments in 1972 as against about 15 per cent in 1965. This sector has experienced a high rate of expansion based on rapidly increasing demand and on its reputation for quality and high-performance sail-boats, rather than on price; it has earned international acceptance for its products and its growth has come largely from the export markets it has successfully developed. Production, in value terms, consists primarily of larger cruising craft with auxiliary engines.

Sailcraft production is now largely concentrated in six major firms located in Ontario and Quebec. Most firms in this product sector produce sailcraft only. In contrast to the Canadian pleasure craft industry as a whole, this high-productivity sector may be as efficient, within its specialties, as its United States competitors. This has been made possible through the development of a significant market, largely in the United States, and consequent economies of scale and specialization. In contrast to the canoe, utility, and runabout sectors, the domestic market for large and expensive cruising sail-boats is a small one. At the same time, the production of large sailcraft using FRP techniques requires substantial mould and tooling outlays. Thus, given the present number of producers, production of such large craft in Canada is only viable given an export market and hence model runs of sufficient volume to amortize certain fixed costs. The cost economies attained by the sailcraft industry through specialization and scale appear to be reflected in productivity comparisons compiled by the Board; employee productivity among sailcraft manufacturers was estimated to be substantially higher than that in other sectors of the pleasure craft industry in Canada.

However, there are signs that the very rapid rate of growth of the sailcraft industry may be over. Beginning in 1974 hourly labour costs in Canadian sailcraft factories were advancing to equal and in some cases exceed those in the United States. This new factor will certainly make continued penetration of that market more difficult. One major exporter of sailcraft was bought out by a United States corporation and has ceased production. Another very large producer of small sailcraft has set up plants in the United States and in other countries and presumably will stop exporting. Canada's premier and best known auxiliary-powered sailcraft builder plans to produce some of its sailcraft in the United States. In fact, there has been a levelling off of sailcraft exports to the United States in 1974 and 1975 following the spectacular rise beginning in 1971, and it seems likely, but not too surprising, that the Canadian sailcraft industry as a whole will not be able to maintain the high rate of expansion it has experienced since 1971. Nonetheless, the sailcraft sector remains one of the more viable and more progressive sectors in the Canadian pleasure craft industry.

Runabouts - The runabout sector of the industry is the weakest even though it is the second largest, accounting roughly for 30 per cent of total industry output. Broadly speaking, the small craft sectors, including runabouts and utilities but excluding canoes, constitute the least competitive segment of the domestic industry. As a percentage of the market, runabouts represent 40 per cent by value. The runabout producers, however, do not supply the whole domestic market - imports, nearly all of United States origin, took 20 per cent of it in 1971, and given the phenomenal increase in imports of pleasure craft in 1974, which has continued into 1975, it is altogether likely that runabouts made in the United States now fill a much greater percentage of the Canadian market. Exports, on the other hand, are minimal in spite of a negligible tariff of 2 per cent into the large United States market.

It is in the runabout sector generally that innovation is most notably absent. The same hull moulds are used over a period of years and only the deck moulds and the layout designs are changed. Very often, even these changes are copied from United States craft, the inevitable time lags being adverse to successful marketing. Moreover, the hulls themselves may have been built using craft made in United States, and in some cases from moulds purchased there. Innovations of Canadian origin would also be rare when Canadian producers have entered into licensing arrangements with United States manufacturers. There is evidence that Canadian consumers in large numbers prefer the latest, more stylish, more aggressively promoted, and, hence, better known United States product, and that they are prepared to pay more for it even though the quality of the craft and appointments may not be superior.

There are about forty plants throughout Canada making runabouts, almost all FRP craft. While there are plants in all provinces of Canada, 66 per cent of runabouts are made in the central provinces of Quebec and Ontario, and 93 per cent, if production in British Columbia is included. No single company appears to have a dominating position in the market. Only two or three plants at the most have achieved truly national distribution for their products, although several have a regional market, typically located within a 500-mile radius of the plant; the remainder market locally.

In spite of the large domestic market for runabouts, 16,215 units in 1971, no plant appears to have specialized its production to fewer models and longer production runs, or to have rationalized its production with other plants. The Board was told of a few abortive efforts towards intercompany rationalization arrangements, generally initiated by the more aggressive and efficient firms; the need for specialization appears to be generally recognized, but the Board saw virtually no evidence of success in that direction. Most producers of small craft appear to seek greater production and hence a form of economies of scale by broadening or diversifying their product lines. Since there is relatively little opportunity for high-volume production line techniques in the pleasure craft building industry, the tendency to diversify into a multimodel operation is strong; it is enhanced, on the one hand, by the producer's desire to protect himself against an unexpected fall in demand for a given model of craft and, on the other hand, by the insistence of distributors and dealers that they be supplied with as full a line as possible of a brand of craft. It is noteworthy that despite a very small home market for auxiliary sail-boats and power cruisers, it is the manufacturers of such larger craft which have evidently been able to achieve specialization, by developing a larger market, especially through export sales.

The generally poor average competitive position of Canada's small craft manufacturers, including runabout producers, is confirmed by cost and productivity studies prepared by the Board. Worker productivity in those establishments producing canoes, utilities, and runabouts tended to be lower than in other sectors, especially when compared to the sailcraft sector. Direct cost comparisons underline some of the competitive problems confronting Canada's runabout sector more particularly. Information submitted (1972) by two major runabout manufacturers in Canada, enabling a comparison of production costs for identical models made in both Canada and the United States, underscore the advantages obtained by United States producers in achieving lower per unit overhead costs. Such costs were twice as high for the Canadian models as against the United States models, and while per unit labour costs were about equal, material and other component costs were also substantially greater for the Canadian-made models.

Most of the runabout sector would have serious problems even assuming no competition from the United States. Low-scale production, lack of specialization, short runs, high transportation costs and limited markets, together with keen competition within the runabout sector as well as competition for the pleasure craft industry from alternative recreational activities, tend to retard the growth of individual companies and to keep them small and local. Exports to the United States, the only accessible foreign market of any size, have been practically impossible, in spite of a low 2 per cent customs duty, simply because the product costs far more to make in Canada. Growth and profit prospects for this important sector of the industry appear at best uncertain unless a determined effort is made to raise its productivity and increase its competitiveness, at home and abroad, by reducing and preferably reversing most of the disadvantages under which it now labours.

Canoes - The canoe sector can be said to have enjoyed considerable success, having shown a strong performance in terms of rate of growth, domestic market expansion and export penetration. Canadian canoe

makers supply 98 per cent of the domestic market; they export about 12 per cent of their production. The market for canoes is a relatively small part of the total pleasure craft market (some 7 per cent by value), and the accomplishments of this sector thus have little favourable impact on the performance of the pleasure craft industry as a whole.

Canoes are one sector in which United States competitors have had no significant impact on the Canadian market. Relatively speaking, the usual handicaps of short production runs and small scale of production do not obtain as regards this sector. The success of Canadian producers is due in part to the fact that canoe design and style are traditional; model changes of any consequence rarely occur. The existence of a 17½ p.c. duty has undoubtedly helped as well, as have the Canadian canoe makers' reputation for quality and the Canadian tradition of canoeing reaching back several centuries.

Utilities - The top seller, in terms of units, in the pleasure craft industry is utility-boats. However, this sector accounts for only 10 per cent of total pleasure craft production by value. Here aluminum is the main material (75 per cent) of manufacture. It is likely that at least one of six utilities sold annually in Canada is now of United States origin. While most domestic producers of aluminum utilities distribute nationally, utilities made in the United States are also sold throughout Canada. No Canadian manufacturer of FRP utilities distributes nationally.

Ninety-three per cent of all utility-boats are made in Ontario and Quebec. One Ontario-based manufacturer now accounts for the bulk of aluminum utility-boat production, following the acquisition, in 1974, of another large producer and the withdrawal from this sector of a third major manufacturer.

United States import penetration in the utility sector in 1971 was approximately 17 per cent as against an average of about 24 per cent for all sectors of the pleasure craft industry. On the other hand, less than 3 per cent, by value, of Canadian production is sold abroad. The Canadian market for utilities (and, no doubt, the United States market as well) has evidently grown very little in recent years and has declined substantially in relation to the market for other types of craft.

Cruisers - The Board has identified twenty-five establishments making power cruisers. Together they employ some four hundred production workers. Power cruisers account for an estimated 15 per cent of total factory shipments of the pleasure craft industry. This sector, therefore, ranks third in order of importance in terms of value of production, following the sailcraft and runabout sectors. Growth in production in the power cruiser sector has been marked in relation to that of other types of craft. Only the sailcraft sector has grown more rapidly.

The Canadian market for power cruisers has also expanded at a rapid rate. However, Canadian power cruiser producers have not shared in this market growth to the same degree as the domestic producers of sailcraft and canoes have done, because cruiser imports account for a much larger share of the domestic market for this type

of craft; growth in the domestic production of power cruisers has been mostly export oriented.

Trade, both exports and imports, almost exclusively with the United States, is substantial in terms of value. It is estimated that close to half of the power cruisers produced in Canada are exported to the United States and that imports comprise some 50 per cent of the value of domestic sales. Trade trends in recent years, while not permitting a precise estimate, indicate that imports have captured a growing proportion of Canadian sales. Imports of cruisers represent some 36 per cent of all pleasure craft imports by value, although they are the lowest in number of units. About 25 per cent of imported cruisers are used craft, destined mostly for Ontario and British Columbia buyers.

The two largest companies account for appreciably more than half of cruiser production and employ 32 per cent of all workers in the power cruiser sector. There exists, in this sub-industry as in other sub-industries, the familiar pattern of a relatively few large establishments accompanied by a large number of small ones, each of the latter employing very few people and each making very few cruisers. Only the two largest companies, one small and the other appreciably larger, produce an established line of cruisers; most of the establishments in the power cruiser sector are very small custom producers. A few companies, which are basically runabout producers, also manufacture a number of smaller power cruisers, usually less than 25 feet, as a top-of-the-line model.

In the power cruiser sector (as in the auxiliary sailcraft sector), more than in any other, length of production runs is a significant determinant of production costs. Only one Canadian producer, Shepherd Boats, Ltd., has specialized in a limited line of cruisers thereby achieving longer production runs and, thus, production costs comparable to larger United States producers. This company accounts for the bulk of production, exports and imports of new cruisers. Its exports consist of a line of cruiser models sold to an affiliated United States producer; the export sales derive from a production rationalization arrangement made between Shepherd Boats, Ltd. and this affiliated United States manufacturer, and from a duty and sales tax remission program. This program, set up in 1971, grants to the Canadian company a remission of duty and sales tax on its imports of power cruisers of 25 feet or more, under certain prescribed conditions. One other Canadian manufacturer of power cruisers, Canoe Cove Manufacturing Ltd. of Sidney, British Columbia, has been operating under a duty remission program since 1973.

As in the case of large sailcraft, the Canadian market for large and expensive power cruisers is very small. The construction of power cruisers using FRP technology is evidently only viable, on other than a custom basis, if there exists a minimum demand for a given model sufficient to allow the amortization of very high original investments, e.g., in moulds and tooling. In the absence of export sales, the small Canadian market, which is further regionalized by transport problems, cannot by itself provide a sound basis for production-line operations. The successful operations of the one major manufacturer noted, Shepherd Boats, Ltd., is the result of substantial sales outlets made available through the United States

affiliate and its dealer network. This is not to say that, in time, a sufficient level of domestic demand will not develop for a particularly popular model of cruiser thus decreasing the producer's dependence on exports in order to achieve the necessary economies of scale and specialization for an efficient, competitive and profitable operation.

Parts - Imports supply a very large proportion, an estimated two thirds, or some \$20 million, of the parts, equipment and accessories purchased in Canada as original equipment or in the aftermarket. Such production or assembly as does take place in Canada is directed mainly to the runabout sector; canoes and utilities use very little in the way of parts, equipment and accessories and in the case of the more specialized articles required by the sailcraft and power cruiser manufacturers, either these are not available from Canadian sources or the foreign product is preferred.

While there appear to be a relatively large number of factories in Canada, each of which makes a limited variety of parts, equipment and accessories in limited quantity, their production of these articles appears, as far as the Board has been able to determine, to be a very small part of their total operations and sales. Only three major manufacturers specializing in pleasure craft parts, equipment and accessories were identified during the Board's inquiry, and all three were importers, as well as producers or assemblers, of parts. Together they had about 60 per cent of the parts' business in Canada. Reorganization following a recent acquisition by a United States company has resulted in only two Canadian manufacturers remaining as major producers or assemblers and suppliers.

Uniqueness of design and better quality and service are factors given to the Board as reasons for the apparent preference of Canadian boat makers for foreign, mostly United States, parts, equipment and accessories; between one half and three quarters of these goods, which are used by boat makers as component parts in the construction of or as equipment for the pleasure craft they produce, are imported - a very rough estimate might be \$5 to \$6 million.

MAIN CONCLUSIONS AND RECOMMENDATIONS

Pleasure Craft

In the light of its detailed analysis of the pleasure craft manufacturing industry and of the latest information it has gathered on the industry and on the operations of individual pleasure craft manufacturers, the Board finds that it can recommend an M.F.N. rate of duty of 15 p.c. This rate would apply to all pleasure craft imports whether they now be imported at 17½ or at 25 p.c., M.F.N. Most of the domestic pleasure craft production is of the smaller craft, dutiable at 17½ p.c.; in terms of value, 85 per cent of all imported craft are entered at this rate.

The recommended single rate of 15 p.c., M.F.N., is generally regarded as the "average" level of protection afforded Canadian manufacturers. It is, however, by international comparison, a relatively

high rate of protection. In addition, a rough estimate by the Board puts the rate of effective protection afforded pleasure craft manufacturers as a whole, at perhaps 26 to 28 per cent - the actual effective rate varies considerably as between sectors of the industry, from some 17 p.c. to about 45 p.c.

The Board developed data which in quite broad terms are indicative of the degree to which at least certain firms, within the different sectors of the pleasure craft building industry, utilize the existing tariff protection. On the basis of these estimates it seems that the more important producers of the larger sailcraft, representing some 33 per cent of the total production of pleasure craft, which total amounted to \$44.3 million in 1971, did not, in the period under review, use the existing tariff protection, especially when the rate of duty is 25 p.c. However, the competitiveness of the few large manufacturers for which data were obtained has depended more on the fact that they have been producing high-performance sail-boats which have been in strong demand abroad; thus the bulk of their production has found a ready market while the domestic market remained comparatively small. However, the international competitiveness of these larger manufacturers is not as clear when it comes to depend on the economics of production rather than on successful innovation; for example, their competitive position is appreciably weaker where, say, a large United States manufacturer produces the same class of sailcraft or a model which is very similar to it. It is fair to assume that the producers of the smaller sailcraft, unless, again, their competitiveness rests on a unique and popular class of sail-boat, have used, at least partially, the existing protection of 17½ p.c. In support of this assumption, the Board's data indicate that the builders of canoes, utilities, and small outboard runabouts appear to use partially the existing tariff protection. Producers of larger outboard runabouts and inboard/outboard runabouts appear to price up fully to the tariff, as do most producers of power cruisers.

The recommended M.F.N. rate of 15 p.c. should afford adequate protection except perhaps for the utterly inefficient pleasure craft producers which, even at the existing M.F.N. rates of 17½ p.c. and 25 p.c., are barely able to stay in production. On the other hand, a rate of protection lower than 15 p.c. is not recommended at this time because of the comparatively poor average productivity performance of Canadian pleasure craft producers, and their relatively weak competitive position vis-à-vis their main competitors in the United States. This situation is explained in good measure by the disadvantages which they face, along with so many other Canadian manufacturers: a small domestic market, small-scale operations, lack of specialization or, conversely, a high degree of diversification of craft produced. Other built-in handicaps are present such as the higher costs of materials and component parts, and, in the past year or so, the virtual loss of the labour cost advantage which the pleasure craft manufacturing industry in Canada had always enjoyed.

The Board has also had to take into account the fact that in spite of quite low United States tariffs on pleasure craft imports (mostly 2 or 5 p.c., M.F.N.), the Canadian producers of pleasure craft - with a few notable exceptions such as producers of high-performance sail-boats, finely finished power cruisers of original

design and well-known canoes - have not been able to find acceptance in and penetrate the large, accessible (but highly competitive) United States market. Indeed the reverse has become the case, culminating in a very large increase in imports of United States pleasure craft in 1974, an increase which continued into 1975. It is true that the suddenness and depth of this penetration was due in large part to a sharp fall in demand for pleasure craft in the United States when the demand in Canada held at a relatively good level. Nonetheless, the fact remains, as already emphasized, that whereas imports from the United States enjoyed some 17 per cent of the Canadian market in 1970, they had captured about 50 per cent of the market by 1974.

Nor has the Canadian pleasure craft manufacturing industry, speaking generally, shown much initiative or vitality. Although the Canadian industry is still, in some measure, a craft industry, as indeed it is elsewhere, it has shown only a limited desire or willingness to take advantage of opportunities to raise its efficiency and competitiveness through such means as mergers, greater specialization including intercompany specialization arrangements, innovation and product development. Nor has the industry, it would appear, made adequate use of governmental programs aimed at helping the manufacturing sector achieve higher levels of productivity and competitiveness.

The Board's analysis revealed that larger establishments realize substantially higher productivity. The characteristic small enterprise nature of the industry in Canada, therefore, inhibits economies possible both through scale of operations and through greater specialization. It is pointed out, for example, that C & C Yachts Manufacturing Ltd., now the largest Canadian producer and exporter of sailcraft, is the result of a successful amalgamation of three manufacturers and a well-known firm of designers. Also, data submitted by Shepherd Boats, Ltd., a leading producer of power cruisers, document the benefits of a well-executed rationalization program in the production of power cruisers.

While the Board considered deeper tariff cuts as a means to promote rationalization and to stimulate improved efficiency and competitiveness in the industry, it could not be certain that major duty reductions would achieve the desired objectives. Most of the larger, and often more modern and efficient, pleasure craft producers, competing directly with United States exporters, would be affected more by deep tariff reductions than would the small establishments, with low overhead, operating in local markets and providing, for example, a degree of custom work and service not available from larger and often distant competitors. The Board thus believed that, despite the undesirably large number of very small producers, major tariff reductions might do little to alter the small enterprise nature of this industry. It is also observed that economies of scale from larger operations, greater specialization and longer production runs, depend on markets of sufficient size to sustain such production. More severe import competition, resulting from substantially lower tariffs, might lead to a marked increase in imports and hence a shrinkage in the market for Canadian-made pleasure craft. In this case, deep tariff cuts might limit opportunities for greater economies of scale and specialization, and be counterproductive.

The severe handicaps - "built-in" and self-inflicted - facing the Canadian pleasure craft builders no doubt explain in large part the relatively high number of firms which, for a number of different reasons, have ceased production in the few years during which the Board has observed the pleasure craft industry's operations and performance. Notable examples are: Alwest Marine, the Manitoba builder of house cruisers, which has gone out of business; Paceship, the major sail-boat builder in the Maritimes, which has been bought by an American company and has ceased to produce in Canada; Chris-Craft, one of the best known American pleasure craft builders, which has withdrawn from production in Canada. Others which have ceased producing include Dalex Mfg. Limited, Humber Boats Ltd., Canbar Marine Company and Canadian Fiberform Ltd.

C & C Yachts, the Canadian-owned builder of racing sailboats, which is one of the few real success stories in the Canadian pleasure craft industry, has now established a plant in the State of Rhode Island and has no plans for further plant expansion in Canada. A somewhat different success story is that of Shepherd Boats, Ltd., at Niagara-on-the-Lake, an American-owned power cruiser builder which, through a duty remission program set up in 1971, has rationalized its production with a United States boat-builder owned by the same parent company; this form of rationalization has resulted in substantially increased production in Canada, exports and imports. In a separate class is Canoe Cove Manufacturing Ltd., located on Vancouver Island, a builder of power cruisers, which has reorganized and is carrying on with the help of a duty remission program.

It is true that there have also been new entrants into the industry but most have been small, local producers attracted by the growing demand for FRP pleasure craft and the relatively simple and low capital-intensive FRP production processes. The average size of plants in the pleasure craft manufacturing industry in Canada has been increasing somewhat more rapidly than in the United States, but remains small compared to the average size of pleasure craft plants in that country.

The Canadian pleasure craft manufacturing industry is composed of a very few relatively large manufacturers, a greater number of medium-size producers, and a host of quite small builders. A great many Canadian producers of pleasure craft - invariably small builders selling in a local market or to a quite restricted market on the basis of reputation - are "protected", as indicated above, by distance and/or by low overhead costs. They are also "protected", as are larger Canadian producers, by the fact that the production of fibreglass craft does not, at least on the basis of present technology, lend itself to mass, assembly-line production methods. The reduction in the tariff, recommended by the Board, is not expected to affect such producers to any appreciable extent. It is true that their operations may not, in strict economic terms, represent the best use of productive resources. On the other hand, the resources so used are quite limited and the employment those small producers create, especially in distant, economically weak regions where alternatives are few or non-existent, can be significant. In Canada as in the United States, such small pleasure craft producers appear to manage even in highly-populated areas in which much larger producers are also located.

At the other end of the spectrum, the few producers which are relatively large, in Canadian terms at least, and generally more experienced, have succeeded in maintaining their share of the market and, in some cases, in increasing it. Many export, especially sail-craft producers who, in 1974, accounted for 68 per cent of total exports. A few producers of pleasure craft are subsidiaries of United States firms; as indicated above, one subsidiary has entered into a rationalization arrangement with an affiliated United States company on the strength of a duty remission program based on the increase in Canadian value added achieved by the subsidiary. The larger producers have, in some cases, reached a relatively high, if not an optimum, scale of operations and degree of specialization. Mounting costs, especially labour costs, have weakened their competitive position, especially in the last twelve to eighteen months. The lower value of the Canadian dollar cannot, of course, constitute a permanent or satisfactory offset.

It is the medium-size (by Canadian standards) pleasure craft producers whose position is such as to preclude a recommendation at this time for much lower tariffs as a (more or less classical) stimulant to higher productivity and competitiveness. On average, these producers, especially the runabout producers and, to a lesser extent, the producers of utilities, represent by far the frailest sector in a generally weak industry. As estimated by the Board, it is the runabout producers, who benefit most, directly and indirectly, from the present duties on pleasure craft. A deeper tariff reduction than is recommended at this time would result in bankruptcies and unemployment rather than higher productivity and greater competitiveness. The adjustment policies and programs of government assistance which would have to be put in place, as the Economic Council of Canada has stressed⁽¹⁾, to assist the firms, workers and, in some cases, communities or regions, to prepare for and/or adjust to a general move to freer trade, are, at present, inadequate; a planned, coherent, well-orchestrated move towards lower Canadian tariffs and freer international trade, such as that recommended by the Council, is quite a different operation from the singling out of an industry, especially a generally weak industry like the pleasure craft manufacturing industry, and launching it, relatively unassisted, on the long, difficult road to substantially freer or free trade.

Notwithstanding the rather disconcerting results of almost all comparisons between the Canadian and United States pleasure craft industries, the Board, in making its recommendations, assigns considerable weight to the demonstrated past growth and expected continued viability of pleasure craft manufacturing in Canada. Over the period 1962 through 1972, the value of pleasure craft shipments increased by 17 per cent per annum, a rate of growth more than twice the average rate achieved by all manufacturing industries in Canada. Despite the general economic downturn commencing in 1973, the domestic demand for pleasure craft has been maintained and, at present, prospects are for a continued expansion in demand. Pleasure craft constitute a major recreational durable, and recreational durables as a whole have been one of the fastest growing segments of Canadian consumer spending. Thus, pleasure craft manufacturing is seen as a

(1) Economic Council of Canada, Looking Outward: A New Trade Strategy for Canada (Information Canada, Ottawa), 1972

viable industry in Canada. The growth of the industry in itself attests to its viability although this growth has admittedly been achieved in a period of strong and increasing demand and behind high tariff walls. There appears to be nothing to prevent the production in Canada of most basic types of pleasure craft; in many ways, given Canada's geography, it is a "natural" industry. All labour skills and the bulk of raw materials are available domestically and, while the industry relies heavily on foreign sources for marine engines, some motors, and the majority of parts, equipment and accessories, these are readily available. At a minimum, and assuming no severe fall in demand, the size of the Canadian market alone is, moreover, sufficient to justify a number of relatively large-scale and efficient boat manufacturers. Given moderate tariff protection, this form of secondary manufacturing is a viable economic activity, therefore, with substantial growth potential for the efficient producers.

The Board's recommendation to reduce the M.F.N. tariff rate on pleasure craft to 15 p.c. can be expected to have some effect by way of greater rationalization, productivity and competitiveness in the pleasure craft manufacturing industry. A stronger competitive position could support more determined efforts to meet the most important requirement of the industry, namely larger markets, especially in the United States. Canadian producers should at least become more competitive in the domestic market which can be expected to grow and be further stimulated by somewhat lower prices than would otherwise obtain. In terms of volume of sales, this growth could be especially significant as regards the lower-priced craft sold to Canadians in the middle to lower income brackets.

As stated above, the reduction to 15 p.c., M.F.N., would apply to all pleasure craft imports, that is to those which are now dutiable at 25 p.c., M.F.N., as well as those dutiable at 17½ p.c., M.F.N. Prior to 1956, virtually all water-borne craft were dutiable at 25 p.c., M.F.N. In that year, the M.F.N. rate was reduced to 20 p.c. on open boats other than those with or for use with inboard motors. In the Kennedy Round, the rate on those boats was further reduced to 17½ p.c. and this M.F.N. rate reduction was also extended to open boats with or for use with inboard motors and to all yachts and pleasure boats not exceeding 30 feet in length. All these reductions were made as a result of GATT tariff negotiations in return for tariff concessions by other countries. After reviewing the whole of the pleasure craft industry, the Board could not find any reason, on the basis of such factors as cost of labour and materials, productivity or over-all competitiveness, which might justify the retention of the present distinctions based on length (30 feet) and on whether or not the pleasure craft is "open". Nor does the Board see any valid reason for making any of the other distinctions which might be made for customs duty purposes, for example, on the basis of value, materials used, type of craft, method of propulsion, whether or not it is of Olympic or international class, or any combination of these.

A uniform M.F.N. rate of 15 p.c. results, of course, in a deeper cut in the existing M.F.N. Tariff of 25 p.c. than in the existing M.F.N. Tariff of 17½ p.c. The Board's analysis shows that the producers now enjoying the 25 p.c. rate of protection are, on the whole, the most able to withstand, without undue hardship, and to adjust to the lower rate. This is because the protection afforded by the

25 p.c. rate applies only to a small segment of the domestic production since most sail-boats and power cruisers of over 30 feet produced in Canada are exported; in the case of sailcraft over 30 feet, 80 per cent of the value of shipments is exported and the home market for such craft is estimated to be only some 2 per cent of total pleasure craft production; the corresponding estimates with respect to power cruisers are about 50 per cent and 6 per cent, respectively. This fact in itself attests to the competitiveness of the domestic manufacturers of such craft, taken as a whole. The Board has established that if exports are deducted, sales in Canada of domestically-manufactured large craft, exceeding 30 feet in length, would amount to only some 8 per cent of total pleasure craft production.

It is true that there exists substantial import competition in the power cruiser sector, but it has not adversely affected the efficient producers, such as Shepherd Boats, Ltd. Admittedly a reduction in the customs duty from 25 p.c. will reduce the amount of duty remission which, at present, two Canadian producers are receiving. Also, there is in the power cruiser, as well as in the sailcraft, sector a large number of establishments which construct craft on a custom basis. These producers do not compete directly with "stock" or factory-produced models in that they build to a buyer's specifications and provide a custom-shop service and after-sale repairs and maintenance appealing to the purchasers who can afford expensive pleasure craft. Such producers are also "protected" from foreign competition by high transport costs. It can be expected that the better custom builders of power cruisers and of sail-boats, given their unique position in the Canadian market, will not experience a substantial decrease in the demand for their high quality products and the intimate and direct service they can supply.

Even assuming some adverse effect on domestic custom builders resulting from a tariff reduction, the Board does not foresee any meaningful employment loss arising from the rate reductions recommended. According to the Board's survey of the industry, there were, in 1971, seventeen custom builders of cruisers and sail-boats exceeding 30 feet. Production typically consists of only one or two units a year, and total employment was estimated at about one hundred. While an additional number of unreported boat works probably exist which also construct large pleasure craft, total employment among such custom builders is not significant over-all, although it might well be locally. A good proportion of the workers would be highly skilled and a strong demand would most likely exist for their skills and competence.

In any event, the Board is recommending that the 25 p.c. M.F.N. rate be reduced in two stages over a period of two years - a first reduction to 20 p.c. and, a year later, a second reduction to 15 p.c. Furthermore, in order to give the pleasure craft industry and others concerned time to adjust to the new M.F.N. rate of 15 p.c., the Board recommends that the first tariff reduction be delayed to September 1, 1976, with the second reduction, a year later, on September 1, 1977.

The Board is not recommending any reduction in the B.P. Tariff rates on pleasure craft; they would remain at 15 p.c. The General Preferential Tariff rates which, since July 1, 1974, have

been granted to imports of pleasure craft from certain developing countries which are enumerated in the Customs Tariff, are set, under section 3.1 of the Customs Tariff Act, at the lesser of the British preferential duty or two thirds of the most-favoured-nation rate. Thus the G.P.T. rates would be reduced in either one or two stages, to 10 p.c. As for the General Tariff, the Board recommends a reduction to 22½ p.c. from the existing 25 p.c., on all imports of pleasure craft. Thus the Board's recommendations as to rates of duty on all pleasure craft imports under the four tariffs can be summarized as follows:

	<u>B.P.</u>	<u>M.F.N.</u>	<u>G.P.T.</u>	<u>M.F.N.</u>	<u>G.P.T.</u>	<u>General</u>
Current Rates	15 p.c.	25 p.c.	15 p.c.	17½ p.c.	11½ p.c.	25 p.c.
Reduced on 1 Sept. 1976 to		20 p.c.	13 p.c.	15 p.c.	10 p.c.	22½ p.c.
Reduced on 1 Sept. 1977 to		15 p.c.	10 p.c.			
Recommended Rates	15 p.c.	15 p.c.	10 p.c.	15 p.c.	10 p.c.	22½ p.c.

Component Parts

The Board also considered what assistance might be given pleasure craft producers in Canada through a reduction in the tariff rates, some of which are quite high, on component parts which, as defined in this Report, are the parts which pleasure craft producers usually install themselves at the time of manufacture. Component parts do not include materials such as fibreglass⁽¹⁾, aluminum, wood and resins; nor do they include accessories and equipment not usually installed by the boat manufacturer at the time of manufacture.⁽²⁾

The Board's estimates show that the reduction in the cost of production that could be achieved through a reduction in the tariff rates on component parts might not be very great. The reasons for this vary according to the sector of the industry or the type of pleasure craft; obviously, in the case of canoes and utilities very few component parts are used; as for the other sectors of the industry, many of the component parts which the builder uses are duty free. Nonetheless, the benefits of lower production costs resulting from a somewhat lower cost for component parts are not negligible for the producers of runabouts, sail-boats and cruisers.

The Board recommends, therefore, a uniform M.F.N. rate of 10 p.c. on all component parts of a class or kind made in Canada when such parts are imported for use in the construction of or as equipment for pleasure craft by the manufacturers of such craft. Furthermore, all such component parts which are not made in Canada would enter duty free.

(1) As already noted, the Board, at the request of the Minister of Finance, is conducting a separate inquiry into glass fibres and filaments under Reference No. 151.

(2) For a list of the principal component parts, see Table 8.17, p. 331

The Board's recommendation calls for a revision of the existing tariff structure pertaining to "component parts"; such parts would be entered under two basket tariff items as opposed to the present structure under which they may be entered under some fifty different tariff items at rates ranging from Free to 25 p.c. The existing tariff rates on parts which are not "component parts", and on ancillary equipment and accessories and on marine hardware which are not "component parts", as well as the existing tariff rates on motors and engines and on electronic equipment, would continue to apply.

According to the distribution of per unit production costs obtained by the Board for 1972, component parts represented about 23 per cent of total factory cost of production for FRP outboard runabouts, 17 per cent for FRP inboard/outboard runabouts, 15 to 16 per cent for FRP sail-boats (with or without auxiliary power), and about 10 per cent for power cruisers. The over-all reduction in the level of tariffs on component parts will be of greater importance, therefore, to the producers of runabouts than to producers of other craft. It is runabouts which constitute the largest sector of the total Canadian pleasure craft market, some 40 per cent by value. It is also in the runabout sector that import competition is particularly strong; some 30 per cent of the total Canadian imports of pleasure craft in 1971 were runabouts, almost entirely from the United States. Because component parts represent a lower proportion of their costs, lower tariffs on these goods will be of relatively less importance to the builders of large sail-boats and cruisers; in any case, many of the parts they import are already duty free. Furthermore, they export a large part of their production and can, in the case of imported parts, auxiliary equipment and accessories, as well as imported materials and power units, receive a drawback of 99 per cent of the duty paid on goods which have been incorporated into the exported craft.

According to the Board's estimates, a reduction in the nominal M.F.N. rates of duty on component parts to 10 p.c. would, in the case of runabouts and sail-boats less than 30 feet in length, offset to a large extent the recommendation to reduce the nominal rate on those craft from $17\frac{1}{2}$ p.c. to 15 p.c., M.F.N.; in effect the level of effective protection on runabouts and the smaller sail-boats would change little. Manufacturers of canoes and utilities would, as mentioned above, not benefit much from a lower duty on component parts; however, in their case the recommended reduction in the nominal rate on pleasure craft, also from $17\frac{1}{2}$ p.c. to 15 p.c., M.F.N., would not affect their level of effective protection by much. Producers of power cruisers and auxiliary sail-boats over 30 feet in length would find the lower tariff on component parts beneficial as well, but this benefit would do relatively little to compensate for the recommended reduction in the duty on these craft from 25 p.c. to 15 p.c., M.F.N. Consequently, the level of effective protection on auxiliary sail-boats and power cruisers over 30 feet in length would be cut in half, but to a level more in line with the level of effective protection on other types of pleasure craft.

No statistical information is available as regards the percentage of the component parts used by Canadian pleasure craft producers which is in fact made in Canada. From information made available to the Board it has been estimated that one half to three quarters of the \$8 to \$10 million of component parts used by pleasure

craft builders in Canada (in 1972) were probably imported. It should be pointed out also that the Board's recommended M.F.N. rate of 10 p.c. would not apply to the same articles or component parts when they are used in commercial boatbuilding and repair, in shipbuilding and repair, in the non-marine market, or in the substantial aftermarket. The combined market for these uses is several times the sales of component parts to manufacturers of pleasure craft.

To the best of the Board's knowledge, the market for made-in-Canada component parts installed by pleasure craft producers is a relatively small one, and does not represent a large market for the Canadian manufacturers or assemblers of those parts. Nor does it appear to represent a significant part of their total operations. The Board has found no important case in which the recommended M.F.N. rate of 10 p.c. on component parts installed by pleasure craft manufacturers might cause injury to Canadian suppliers. Nor did the Board receive any evidence to the contrary either at its public sittings or subsequently.

As for the B.P. Tariff rate on component parts, the Board recommends that it be set at $7\frac{1}{2}$ p.c. It follows from this recommendation that the rate under the G.P.T. will be $6\frac{1}{2}$ p.c. (that is two thirds of the recommended M.F.N. rate). Finally, it is recommended that the General Tariff rate be set at $22\frac{1}{2}$ p.c.

Possibility of Further Tariff Reductions

The Board would not exclude the possibility of a further reduction of the customs duty on pleasure craft from 15 p.c. to, say, $12\frac{1}{2}$ or even to 10 p.c., M.F.N., at some time in the future. However, it has refrained from making such a recommendation, without qualification, at this time, because of the uncertainty attaching to the ability of the Canadian pleasure craft industry to develop an appreciably stronger international competitiveness. For example, it is not yet clear whether the recent narrowing and virtual elimination of average wage differentials between Canada and the United States in the pleasure craft industry and the surge of imports in 1974 and 1975 are temporary phenomena, or whether a more pervasive, longer-term trend has emerged in relative labour costs, and prices, that could have serious implications with regard to the competitive position of Canadian producers.

By 1979-80 it might be possible to review the progress which firms in the various sectors of the industry can be expected to have achieved on their own initiative and with the help of existing and improved governmental programs, in terms of scale of operations, specialization and rationalization. In particular it should be possible to evaluate the extent to which the main sectors of the industry have been able not only to improve their international competitive position at home but also whether they have managed to make a significant penetration of foreign markets.

Should a review of developments in due course establish that the viability of the efficient pleasure craft producers is not in question, that the visibly narrowing gap in labour costs was, in retrospect, a relatively short-term and unsustainable phenomenon and that market shares have not been jeopardized at home and that they

have improved abroad, then a further tariff reduction, to a level which will reflect the new-found strength and competitiveness of the Canadian pleasure craft industry, would be possible and desirable.

Other Conclusions and Recommendations

There were a number of tariff proposals made to the Board, as well as a number of findings derived from its study, on which the Board has indicated its views, directly or indirectly, in other parts of this Report. Thus the Board has not accepted the proposal that higher rates of customs duty be applied against imports of pleasure craft. Nor has the Board accepted proposals that different tariff rates should apply depending on the length or the type of craft - e.g., whether it is self-propelled or not; craft designed for navigation with sail; racing sailcraft of Olympic class. Also, the Board's discussion of the feasibility of using the B.T.N. (the Brussels Nomenclature), with respect to pleasure craft and component parts, demonstrated the virtual impossibility of doing so except as part of a complete translation of the Canadian Customs Tariff to the B.T.N. Another proposal on which the Board has already expressed a view, even though the matter does not really fall fully within its mandate under this Reference, concerns the temporary admission into Canada of pleasure craft owned by non-Canadians; the Board feels that, on balance, the existing reciprocity in this respect between Canada and the United States, should not be disturbed.

The Board was specifically asked in the letter of reference from the Minister of Finance to "review the method of customs valuation now used for pleasure craft or vessels and their hulls". As already indicated, the Board's examination of this matter has led it to the conclusion and recommendation that, as far as pleasure craft are concerned, the valuation provisions of the Customs Act should be applied and that the valuation provision which is now contained in tariff items 44002-1, 44003-1, and 44004-1 be removed as far as pleasure craft and their hulls are concerned.(1)

Duty Remission Program - This is an important program as far as the power cruiser sector of the pleasure craft manufacturing industry is concerned, and it is examined in some detail in Chapter VIII (p. 291); it is also mentioned in several places in the Report.

As already indicated, the Board did not, for obvious reasons, examine the concept of a duty remission program as an instrument of industrial/commercial policy; even though the Board could not isolate the Remission Program in question from this broader context in which it must be viewed, it nonetheless limited its study to the existing duty and sales tax remission program and to the results of that program. This also means that the Board did not examine in any detail the proposal made to it at its sittings, that "tariff rebates" be granted to any producers of pleasure craft who would "rationalize their production with foreign companies".(2) The Board was not in a position to express a view on this proposal because it is clear that to grant such rebates in the case of the pleasure craft industry,

(1) See Chapter VIII, p. 300-306

(2) See Chapter VIII, p. 263 and p. 295-296

would bring about requests for similar treatment from other industries - and all such requests could only be considered after a full study of duty remission programs as a generalized instrument of industrial and commercial policy. Other national policies would also be involved. In any event it is difficult to see, for example, how a duty remission program could be granted one or more producers of pleasure craft without bringing "unfair" competition to bear on those who did not or could not take advantage of such a program. This would almost certainly be the case with respect to the very large number of producers of canoes, utility-boats, and of the smaller sailcraft and runabouts. Even though the likelihood of "discrimination" would not be as great in the case of producers of larger sail-boats (usually with auxiliary power) and of large and expensive runabouts, some discrimination would be virtually certain to occur. It would be a rather drastic step to insist that any producer of pleasure craft, who suffered from "discrimination", must enter into a rationalization of production arrangement with a foreign company in order to remove such adverse discriminatory treatment.

As for the existing duty and sales tax remission program, it will be recalled that according to the criteria laid down by the Department of Finance, the remissions may be made only to individual manufacturers who produced power cruisers, 25 feet or more, with in-board power, in the period January 1, 1969 to December 31, 1969. It was first sought by and accorded to a manufacturer of such craft, Shepherd Boats, Ltd., Niagara-on-the-Lake, for the year 1971. A second manufacturer, Canoe Cove Manufacturing Ltd., Sidney, Vancouver Island, first availed itself of the Remission Program for the year 1973. The program is still in operation for both these companies. To the best of the Board's knowledge, no other manufacturer of inboard power cruisers has applied for the Remission Program.

From the information gathered by the Board, it appears virtually certain that the existing Remission Program has not resulted in the sort of "discrimination" mentioned above. It is probable that this fact is partly explained by the verbal evidence given to the Board to the effect that precautionary measures were taken whenever the possibility arose of the Remission Program adversely affecting one or more Canadian producers of competitive pleasure craft.

Thus, one of the main arguments which could be made against a remission program does not appear likely in the case of the existing Program. Furthermore, from confidential information made available to the Board by Shepherd Boats, Ltd., it can be said that the main objectives of the Remission Program, as the Board sees them, have been amply met as far as that company is concerned. Before reviewing these briefly, along with the results achieved, it should be noted that the Remission Program did, quite obviously, serve the purpose of deterring the United States parent company of Shepherd Boats, Ltd. from closing down its operations in Canada and thus enabled it to rationalize production with its Canadian subsidiary. Without the Remission Program, at least until the full benefits of rationalization on costs of production were realized, it would have been more profitable for the parent company to supply the Canadian market from the United States.

The major objectives of achieving greater efficiency, higher productivity, lower per unit cost and international competitiveness,

were realized through the specialization of production and longer production runs. Specialization and longer runs were made possible by the rationalization agreement between Shepherd Boats, Ltd. and an affiliated United States company, and by the larger market, created under that agreement, in which the Canadian affiliate was able to compete due to the degree of competitiveness it was able to attain. Its production increased substantially to satisfy that much larger market; so did its employment and its use of other domestic resources, thereby increasing its "Canadian Value Added" (CVA). Profitability has improved greatly and is now probably at a level which compares favourably with that in the United States. Furthermore, its prices to Canadian purchasers were reduced.

The catalyst in all this was the Remission Program under which Shepherd Boats, Ltd. received remissions of customs duty based on the extent to which it was able to increase its CVA in inboard power cruisers in 1971 (and in each subsequent year), over its CVA in 1969. This remission of duty - and the remission of the related sales tax - removed the $17\frac{1}{2}$ or 25 p.c. duties on imports by Shepherd Boats and ensured the competitiveness in Canada of the inboard power cruisers made by the affiliated United States company in question and imported and sold by Shepherd Boats, Ltd. The latter's return from the remissions depends on the extent to which it "prices up" (to the duty) the cruisers so imported. It should be noted that the return from the remissions has been increasing as a result of the effects both of greater volume of production and of inflation on the CVA subsequent to the 1969 base year. Prices of power cruisers to Canadian purchasers are lower than would otherwise be the case as a result of lower unit costs of production due to the rationalization achieved under the Program and of the extent to which the remissions received have been passed on to the consumer.

It is not possible to assess fully the impact to date of the Duty Remission Program on the operations of the other company, Canoe Cove Manufacturing Ltd., Vancouver Island, to which it was extended in 1973, two years after it was granted to Shepherd Boats, Ltd. Nor is it possible to foresee what beneficial effects it might have on the operations of that company. All that can be said at this stage is that the company has not yet derived the same benefit from the Remission Program as had Shepherd Boats, Ltd. two years after its implementation. Canoe Cove Manufacturing Ltd. has not entered into a specialization agreement with another company - however, its production is quite small in terms of numbers and is limited essentially to a very few models (lengths) of expensive, high quality, cruisers with a good deal of custom work; the low level of imports which benefit from the Remission Program are sold through a dealer in Vancouver.

The existing Duty Remission Program has of course been applied on an individual company basis and it is on that basis that the Board has chosen to assess it. From all the confidential evidence made available to the Board, it has not been difficult to conclude that the existing Remission Program has been quite successful at least in the case of the one company, Shepherd Boats, Ltd., for which data are available over a sufficiently long period, some four years or more.

With respect to the industry under reference, it is the Board's view that essentially the same program, with such modifications

(e.g., as to the base year) as different circumstances might dictate and under such terms and conditions as will maximize its return to Canadian industry, should be made available to any company in the pleasure craft industry which is likely to achieve the same sort of over-all, beneficial results as have been achieved by Shepherd Boats, Ltd.

However, the Program should, with respect to any company to which it applies, be terminable within a reasonably short number of years. The Board would envisage that the Program would be phased out progressively pursuant to the terms and conditions under which it was first applied to a company. These terms and conditions would be such as to take into account the company's firm plans to specialize its production progressively. Such specialization would be directed to the production of a limited number of specific models (or lengths) in which it can be expected that the company can achieve international competitiveness so as to significantly increase its volume of production, its CVA, and its exports. Such plans would be subject to review and modification, as may be necessary, for example, to adjust to market changes. It appears to the Board that the total amount of duty and sales tax remissions allowed should be reduced as a company achieves competitiveness in the domestic as well as in foreign markets for a given length or model. A reduction would also be made, for example, when a sufficiently large domestic market has developed, for a certain model of that company's production, that dependence on exports of such a model is no longer necessary to ensure internationally competitive costs of production. This does not mean, of course, that exports should be discontinued.

The phasing out of the Remission Program for any company could be accomplished by reducing the amount of remission allowed on all or on some of the new craft imported, and/or by increasing the minimum length of the new craft to which the Remission Program would apply. It should be noted that the recommended duty reductions, from 17½ and 25 p.c., to 15 p.c., would result in a corresponding reduction in the amount of remission granted after September 1, 1976 and 1977.

Care would have to be exercised to prevent such a degree of diversification on the part of the company, in terms of the number of lengths and/or models of craft, that the basic objectives of the Remission Program, as outlined above, would be weakened and lost. Furthermore, provision should be made to terminate any Remission Program if the terms and conditions under which it was granted are not or have no reasonable prospect of being met.

Finally, it is recommended that the length of 25 feet or more specified in the existing Duty Remission Program should be increased, as necessary, to eliminate the possibility of new inboard power cruisers, imported under the Program free of duty and with a related reduction in the amount of sales tax payable, competing with Canadian-made craft.

RECOMMENDED TARIFF ITEMSIntroduction

The Board's recommendations as to nomenclature and rates are embodied in recommended tariff changes. In formulating its recommendations, the Board has had to bear in mind that the items it considered covered not only goods within its terms of reference but also other goods, and that it must ensure that these other goods continue to be provided for without changes in rates of duty.

As indicated above, the Board has concluded that the existing M.F.N. rates of 17½ and 25 p.c. on pleasure craft should be reduced to 15 p.c. It feels, however, that it would be desirable to accord the pleasure craft industry a reasonable period of adjustment and, furthermore, that in the case of those craft now subject to a duty of 25 p.c., M.F.N., the reduction be carried out in two stages, one year apart. The Board also feels that the best time of year to alter the rates would be September 1st. Consequently, the Board's recommendations are divided into two parts; it is suggested that the first set of recommendations, Schedule I below, be implemented on September 1, 1976 and the second set, Schedule II below, a year later.

The Board found that it would be unnecessarily complicated to combine staged tariff reductions with a completely revamped tariff structure and nomenclature for pleasure craft. For the first stage, therefore, its recommendations do not call for any major departure from the existing structure of tariff items 44002-1, 44003-1, and 44004-1. The new structure and nomenclature, which seem to the Board to be desirable, would not come into effect until the second stage.

As already indicated in this chapter, the Board has concluded that pleasure craft should become fully subject to the valuation provisions of the Customs Act. This has been done by removing all references to the basis of valuation from the tariff items relating to pleasure craft.

In formulating its proposed tariff items for component parts (as defined in this Report) of pleasure craft, the Board has drafted the items it recommends so that they take priority over all other tariff items in Schedule "A" of the Customs Tariff. Consequently, there is no need to amend any of the four 'parts' items specifically referred to the Board, nor any other items which apply to parts of pleasure craft. In its new tariff items for component parts, the Board considered following the wording used in existing tariff item 44022-1; it rejected this procedure because the wording of the existing item is broader in coverage than desired by the Board. The Board is aware that its recommended component parts' items would not extend to certain semi-fabricated metal goods, of a class or kind not made in Canada, for further processing and use in the manufacture of pleasure craft. The Board did not consider such goods to be component parts as defined in this Report. These goods are now classified in tariff item 44022-1.

This introduction is followed by five specific recommendations: the first relates to valuation for duty; the second is the

normal recommendation for the deletion of those parts of Schedule "A" to the Customs Tariff which are to be replaced in their entirety; the third embodies, by means of a Schedule I, the changes to be made at the first stage; the fourth simply sets forth the recommended date for the coming into force of the first three; the fifth recommendation, by means of a Schedule II, embodies the changes to be made one year later.

Certain of the Board's recommended tariff items require some further, more specific, comments:

The provisions which will continue to apply to water-borne craft not included in the Reference are given in Section 'A' of Schedule I. As the establishment of separate provisions for pleasure craft would remove most of the goods now covered by existing tariff items 44003-1 and 44004-1, and the rates of duties under both these items are the same, it is suggested that the residual items for open boats other than pleasure craft might be combined; this has been done in recommended item 44001-2 in Section 'A' of Schedule I.

The Board understands that sail-boards have not hitherto been held to be water-borne craft, but have been dutiable according to the component material of chief value. In the opinion of the Board, sail-boards should be classified as pleasure craft and it has so worded the recommended items in Section 'B' of Schedule I and Section 'E' of Schedule II. The Board also wishes to distinguish between various types of monohulled sailcraft, and between these craft on the one hand, and catamarans, trimarans and sail-boards, all of which might loosely be called sail-boats, on the other; it has so worded its recommendations in Section 'E' of Schedule II.

The recommendations in Section 'F' of Schedule II are designed to apply to all craft, other than sail-boats, containing permanently-enclosed living quarters. To make this clear, houseboats, which would also include house cruisers, are specifically referred to in the preamble to the recommended items. Further, the Board is aware that the term "permanently-enclosed living quarters" lacks precision. It gave consideration to spelling out what was meant in more detail, but concluded that this would lead to an extremely verbose tariff item. Consequently, the Board has recommended that the Minister should be empowered to define the term by regulation. It suggests, however, that the minimum requirement should be sleeping accommodation, galley and marine head, all permanently installed.

In setting forth Schedule I and II, the Board has, for ease of reference, assigned tariff item numbers to its recommendations. It does not, however, wish to suggest thereby that some other system of numbering would be inappropriate.

The Board's Recommendations

The Board recommends:

1. That imported pleasure craft and hulls therefor be valued in accordance with the provisions of Sections 35 to 44 of the Customs Act (R.S., c. C-40).
2. That the Customs Tariff be amended by deleting, from Schedule "A", tariff items 44002-1, 44003-1, and 44004-1, as well as the preamble to and the footnote following the said items.
3. That the preambles, tariff items and footnotes set forth in Schedule I be inserted in Schedule "A" to the Customs Tariff.
4. That recommendations 1, 2 and 3 be made effective on and after September 1, 1976.
5. That, effective on and after September 1, 1977, tariff items 44002-1, 44002-2, 44002-3, the preamble to and the footnote following these items and tariff items 44029-1 and 44030-1, set forth in Schedule I, be deleted from Schedule "A" to the Customs Tariff and the preambles, tariff items and footnotes set forth in Schedule II be inserted therein.

	<u>Schedule I</u>	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
(A)	Vessels, dredges, scows, boats and other water borne craft, built outside of Canada, of any material, destined for use or service in Canadian waters (not including registered vessels, entitled to engage in the coasting trade, nor vessels in transit between Canada and any place outside thereof) n.o.p.; on the fair market value of the hull, rigging, machinery, boilers, furniture, and appurtenances thereof, on arrival in Canada:				
44001-1	Other than the following	15 p.c.	25 p.c.	25 p.c.	
	G.P.T. rate from 1/9/76 to 30/6/84				15 p.c.

	<u>Schedule I (Contd.)</u>	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
44001-2	Boats, open, whether or not with, or for use with, inboard or inboard/outboard engines or motors ...	15 p.c.	17½ p.c.	25 p.c.	
	G.P.T. rate from 1/9/76 to 30/6/84				11½ p.c.
	Regulations may be prescribed by the Minister for exemption from further duty after the duty specified in items 44001-1 and 44002-1 is once paid.				
(B)	Pleasure craft, including sailboards; hulls for pleasure craft:				
44002-1	Other than the following	15 p.c.	20 p.c.	22½ p.c.	
	G.P.T. rate from 1/9/76 to 31/8/77				13 p.c.
44002-2	Boats, open, including sailboards, sailboats, skiffs and canoes, but not including those with inboard engines or for use with inboard engines	15 p.c.	15 p.c.	22½ p.c.	
	G.P.T. rate from 1/9/76 to 31/8/77				10 p.c.
44002-3	Boats, open, including sailboats, with inboard engines or for use with inboard engines; yachts and other pleasure boats, not exceeding 30 feet in length overall	15 p.c.	15 p.c.	22½ p.c.	
	G.P.T. rate from 1/9/76 to 31/8/77				10 p.c.
	Regulations may be prescribed by the Minister for exemption from further duty after the duty specified in items 44002-1, 44002-2 and 44002-3 is once paid.				

<u>Schedule I (Contd.)</u>		<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
(C) 44029-1	Articles of any material, of a class or kind made in Canada, not including motors, engines, or electronic equipment, or parts of motors, engines or electronic equipment, for use as parts, in the construction and equip- ment of pleasure craft, by the manufacturers of the goods enumerated in tariff items 44002-1, 44002-2 and 44002-3, whether or not other- wise enumerated in Schedule "A"	7½ p.c.	10 p.c.	22½ p.c.	
	G.P.T. rate from 1/9/76 to 31/8/77				6½ p.c.
(D) 44030-1	Articles of any material, of a class or kind not made in Canada, for use as parts in the construction of or as equipment for the goods enumerated in tariff items 44002-1, 44002-2 and 44002-3, whether or not otherwise enumerated in Schedule "A"	Free	Free	Free	
	G.P.T. rate from 1/9/76 to 31/8/77				Free
<u>Schedule II</u>					
(E)	Pleasure craft, including sailboards, primarily designed for navigation with sail; hulls therefor				
44002-1	Other than the following	15 p.c.	15 p.c.	22½ p.c.	
	G.P.T. rate from 1/9/77 to 30/6/84				10 p.c.

	<u>Schedule II (Contd.)</u>	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
44002-2	Monohulled sailboats with, or for use with, auxiliary inboard or inboard/outboard en- gines or motors; hulls therefor	15 p.c.	15 p.c.	22½ p.c.	
	G.P.T. rate from 1/9/77 30/6/84				10 p.c.
44002-3	Monohulled sailboats for use with auxiliary power, n.o.p.; hulls therefor	15 p.c.	15 p.c.	22½ p.c.	
	G.P.T. rate from 1/9/77 to 30/6/84				10 p.c.
44002-4	Monohulled sailboats, n.o.p.; hulls therefor	15 p.c.	15 p.c.	22½ p.c.	
	G.P.T. rate from 1/9/77 to 30/6/84				10 p.c.
	Regulations may be prescribed by the Minister for exemption from further duty after the duty prescribed in items 44002-1, 44002-2, 44002-3 and 44002-4 is once paid.				
(F)	Pleasure craft including houseboats with hulls or pontoons but not including craft primarily designed for navigation with sail; hulls therefor; all the foregoing when designed for or provided with permanently enclosed living quarters as defined by regulations prescribed by the Minister:				
44003-1	Other than the following	15 p.c.	15 p.c.	22½ p.c.	
	G.P.T. rate from 1/9/77 to 30/6/84				10 p.c.

	<u>Schedule II (Contd.)</u>	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
44003-2	Power cruisers; hulls therefor	15 p.c.	15 p.c.	22½ p.c.	
	G.P.T. rate from 1/9/77 to 30/6/84				10 p.c.
	Regulations may be pre- scribed by the Minister for exemption from further duty after the duty pre- scribed in tariff items 44003-1 and 44003-2 is once paid.				
(G)	Pleasure craft, n.o.p.; hulls therefor				
44004-1	Other than the following	15 p.c.	15 p.c.	22½ p.c.	
	G.P.T. rate from 1/9/77 to 30/6/84				10 p.c.
44004-2	Canoes of all types	15 p.c.	15 p.c.	22½ p.c.	
	G.P.T. rate from 1/9/77 to 30/6/84				10 p.c.
44004-3	Boats, n.o.p., for use with outboard motors; hulls therefor.	15 p.c.	15 p.c.	22½ p.c.	
	G.P.T. rate from 1/9/77 to 30/6/84				10 p.c.
44004-4	Boats, n.o.p., with, or for use with, inboard/ outboard motors; hulls therefor	15 p.c.	15 p.c.	22½ p.c.	
	G.P.T. rate from 1/9/77 to 30/6/84				10 p.c.

Regulations may be pre-
scribed by the Minister
for exemption from further
duty after the duty pre-
scribed in tariff items
44004-1, 44004-2, 44004-3
and 44004-4 is once paid.

Schedule II (Contd.)B.P.M.F.N.GeneralG.P.T.

(H) 44005-1

Inflatable pleasure
craft, not including

toys 15 p.c. 15 p.c. 22½ p.c.

Regulations may be pre-
scribed by the Minister
for exemption from further
duty after the duty pre-
scribed in tariff item
44005-1 is once paid.

(I) 44029-1

Articles of any material,
of a class or kind made
in Canada, not including
motors, engines, or
electronic equipment,
or parts of motors,
engines or electronic
equipment, for use as
parts, in the con-
struction and equipment
of pleasure craft, by
the manufacturers of
the goods enumerated in
tariff items 44002-1,
44002-2, 44002-3,
44002-4, 44003-1,
44003-2, 44004-1,
44004-2, 44004-3,
44004-4 and 44005-1,
whether or not otherwise
enumerated in Schedule

"A" 7½ p.c. 10 p.c. 22½ p.c.

G.P.T. rate from 1/9/77
to 30/6/84

6½ p.c.

(J) 44030-1

Articles of any material,
of a class or kind not
made in Canada, for use
as parts in the con-
struction of or as
equipment for the goods
enumerated in tariff
items 44002-1, 44002-2,

Schedule II (Contd.)B.P.M.F.N.GeneralG.P.T.

(J) 44030-1 (Contd.)

44002-3, 44002-4,
 44003-1, 44003-2,
 44004-1, 44004-2,
 44004-3, 44003-4
 and 44005-1, whether
 or not otherwise
 enumerated in
 Schedule "A"

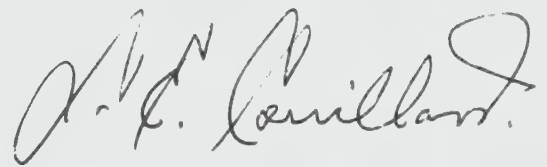
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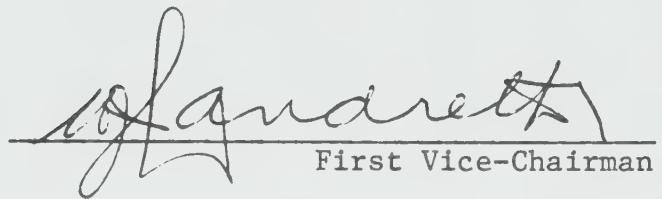
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G.P. T. rate from 1/9/77
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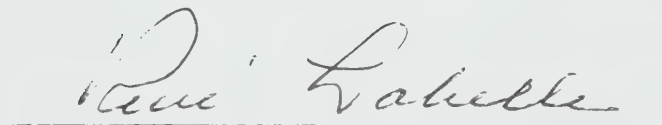
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Chairman



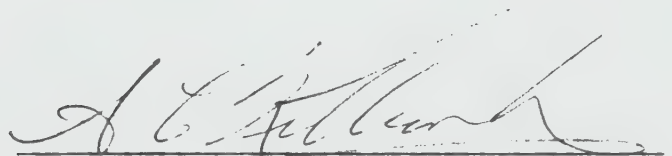
First Vice-Chairman



Member



Member



Member

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Appendix A-1

Participation in Outdoor Activities, Percentage Participation^(a), by Province, 1972

Activity	- per cent -					Saskat- chewan	Alberta	British Columbia
	Canada	Atlantic	Quebec	Ontario	Manitoba			
1. Driving for pleasure	65.2	67.1	66.5	63.3	68.7	70.1	67.7	61.1
2. Picnics or cookouts away from home	53.5	50.0	46.2	56.5	58.8	62.3	60.7	54.9
3. Walking or hiking for pleasure	39.1	25.8	43.2	38.3	39.7	27.0	41.3	45.6
4. Sightseeing from private vehicle	38.0	37.9	15.1	44.6	51.7	49.8	55.5	55.5
5. Visiting historic sites	35.9	31.8	30.8	39.1	41.1	40.6	37.8	37.0
6. Fishing	31.0	31.1	28.6	30.5	37.5	30.8	29.2	38.9
7. Power boating	23.1	12.6	25.1	22.6	21.7	20.1	22.8	31.1
8. Ice skating	19.9	16.4	18.5	23.6	21.6	15.5	14.5	19.8
9. Bicycling	19.4	11.3	18.7	20.3	26.3	13.8	20.0	23.8
10. Tent camping	18.9	13.3	17.7	19.2	17.7	15.3	24.7	24.1
11. Snowmobiling	17.8	18.2	24.9	16.9	16.5	22.6	9.6	4.9
12. Hunting	11.1	20.6	10.2	8.2	12.5	16.2	8.0	15.4
13. Trailer camping	10.1	9.0	7.7	9.9	11.6	11.2	17.6	11.3
14. Canoeing	9.6	1.5	10.7	11.2	8.6	3.7	8.0	12.5
15. Horseback riding	8.4	4.7	8.6	7.8	8.4	9.4	12.3	10.4
16. Snow skiing	7.2	1.5	9.1	6.1	6.5	3.9	6.3	13.3
17. Sailing	4.5	3.3	3.7	6.1	3.7	1.4	0.8	6.6
18. Camping with pickup camper	3.7	1.7	1.4	2.4	4.8	5.1	5.7	14.7

(a) Table displays per cent of people of 18 years of age and over, surveyed in each province who cited participation in indicated activity at least once in 1972.

Source: Parks Canada, Department of Indian and Northern Affairs, 1972 Traveldata Study (unpublished)

Interest in Boating in Canada, 1969,
Survey of Visitors to Boat Shows
Combined Data of Montreal and Toronto Boat Shows (1969)

Ownership (Numerical)

	Over 66 HP	48-66 HP	26-47 HP	13-25 HP	7-12 HP	0-6 HP	No Outboard	Own Outboard	None	Boat Trailer	Cruiser Sailer	Day Sail	Houseboat	Cruiser	Inboard	Outboard	Cartop	Canoe
Own house	63	65	100	51	93	128	326	430	217	100	58	72	14	97	46	241	107	129
Rent house	13	10	17	15	15	16	126	74	89	16	10	18	6	11	10	43	16	25
(Duplex	5	6	9	5	9	4	43	37	34	12	5	6	0	11	2	19	6	8
(Townhouse																		
(Apartment	16	23	32	15	21	30	162	136	125	30	19	32	4	21	14	66	9	44
Under 21 years	9	14	15	7	14	14	69	67	51	12	6	11	1	6	11	35	18	28
21-30 years	32	29	52	18	25	32	248	129	183	42	19	40	3	26	13	101	21	66
30-40 years	25	24	42	31	49	59	182	217	134	50	35	42	11	39	27	103	46	52
40-50 years	22	28	34	24	37	49	116	146	67	38	18	26	8	44	13	84	34	40
Over 50 years	6	9	15	6	12	23	51	66	37	15	14	8	1	25	7	34	19	22
Married	60	67	105	62	99	131	416	465	275	116	64	84	17	118	48	256	103	135
Single	29	30	43	21	28	41	210	168	167	33	21	36	6	19	19	99	23	62
Under \$7,500	18	28	38	17		40	217	162	176	34	14	32	4	8	11	91	35	55
\$7,500 to \$10,000	27	27	51	26		45	207	200	145	47	17	29	5	45	22	119	44	56
\$10,000 to \$15,000	23	24	42	24		48	133	173	92	44	26	33	9	38	17	95	24	45
Over \$15,000	22	21	18	19		42	97	115	48	30	29	31	6	47	19	55	30	45
No children	46	39	67	34	56	64	335	287	258	61	37	59	7	41	33	150	47	95
Under 5 years	21	16	33	17	28	38	147	144	104	33	14	32	5	30	15	78	31	44
5-10 years	15	18	31	22	31	43	125	139	93	39	19	20	10	29	16	78	39	29
10-16 years	17	29	31	20	31	43	97	142	59	42	22	23	3	46	10	83	34	39

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	Ownership (Numerical)									
	None		Own Outboard		No Outboard		0-6 HP		7-12 HP	
	13-25 HP		26-47 HP		48-66 HP		Over 66 HP			
Canoe	22	22								
Cartop	17	17								
Outboard	51	43								
Inboard	5	9								
Cruiser	32	24								
Houseboat	3	0								
Day Sail	11	12								
Cruiser Sailer	16	16								
Boat Trailer	18	19								
None	25	27								
Own Outboard	86	75								
No Outboard	52	48								
0-6 HP	29	22								
7-12 HP	11	16								
13-25 HP	14	9								
26-47 HP	15	21								
48-66 HP	22	16								
Over 66 HP	14	12								
16-21 years	14	12								
Over 21 years	12	61								
No teenagers	14	15								
Major influence (teenagers)	13	27								
Moderate influence	7	4								
Minor influence	20	7								
Do not boat	16	13								
No specific pattern	27	43								
Boat from cottage	11	16								
Boat from yacht-club	14	15								
Boat from marina	9	10								
within 25 miles	32	10								
beyond 25 miles	33	6								

(1) Tables are based on 1354 questionnaires completed by visitors to the 1969 Toronto and Montreal Boat Shows

Source: Allied Boating Association of Canada, 1969 Canadian Boatman's Survey, (unpublished)

Appendix A-3

Estimated Market for Pleasure Craft, 1948-1974

<u>Year</u>	<u>Domestic (a) Shipments</u>	<u>Imports</u>	<u>Exports</u>	<u>Re-Exports - dollars -</u>	<u>Estimated Domestic Market</u>	<u>Exports and Re-exports as % of Domestic shipments</u>	<u>Imports as % of Domestic Market</u>
1948	2,370,686	67,112	721,494	82,199	1,634,105	33.9	4.1
1949	2,541,980	93,103	513,028	5,254	2,116,801	20.4	4.4
1950	2,731,296	102,128	469,791	36,066	2,327,567	18.5	4.4
1951	3,471,005	421,649	567,901	7,892	3,316,861	16.6	12.7
1952	3,571,231	672,258	914,377	7,677	3,321,435	25.8	20.2
1953	4,261,383	595,259	1,325,314	10,154	3,521,174	31.3	16.9
1954	4,954,377	505,741	1,684,979	37,666	3,737,473	34.8	13.5
1955	5,588,639	720,422	1,990,561	29,946	4,288,554	36.2	16.8
1956	6,697,843	1,220,113	1,593,189	46,234	6,278,533	24.5	19.4
1957	8,147,737	1,567,460	1,236,104	47,328	8,431,765	15.8	18.6
1958	7,355,895	2,068,515	932,654	85,459	8,406,297	13.8	24.6
1959	8,969,224	3,307,931	1,110,355	81,683	11,085,117	13.3	29.8
1960	9,988,283	3,869,409	1,185,908	130,717	12,541,067	13.2	30.9
1961	9,614,000	3,567,222	1,181,672	81,215	11,918,335	13.1	29.9
1962	11,236,000	2,879,656	963,605	31,417	13,120,634	9.3	21.9
1963	14,406,000	2,430,926	1,584,869	54,589	15,197,468	12.1	16.0
1964	15,057,000	2,677,551	2,502,375	20,506	15,211,670	16.8	17.6
1965	19,971,000	3,621,658	2,902,667	43,731	20,646,260	14.8	17.5
1966	23,123,000	3,919,104	3,401,746	76,365	23,563,993	15.0	16.6
1967	25,331,000	4,944,570	4,365,261	102,794	25,807,515	17.6	19.2
1968	30,076,000	5,922,798	7,260,854	131,232	28,606,712	24.6	20.7
1969	35,781,000	7,181,521	10,753,716	166,522	32,042,283	30.5	22.4
1970	37,027,000	6,519,302	10,723,390	189,065	32,633,847	29.5	20.0

Appendix A-3 (Concl'd)

<u>Year</u>	<u>Domestic (a) Shipments</u>	<u>Imports</u>	<u>Exports</u>	<u>Re-Exports - dollars -</u>	<u>Estimated Domestic Market</u>	<u>Exports and Re-exports as % of Domestic shipments</u>	<u>Imports as % of Domestic Market</u>
1971	41,687,000	10,293,780	11,961,000	321,596	39,698,184	29.5	25.9
1972	53,186,000	15,274,920	16,687,000	548,893	51,225,027	32.4	29.8
1973		24,121,317	22,982,000	313,467			
1974		44,493,593	23,347,000	319,074			

(a) Data shown for years prior to 1959 pertains to shipments of the "Boatbuilding Industry" only. In 1959 and subsequent years data is for "Boat Shipments of All Industries."

Source: Statistics Canada; Cat. Nos 42-205, 65-004, 65-007, 65-202 and 65-203; imports and exports are classified under commodity classes 591-58 and 591-69 and beginning in 1973 exports under 591-63 as well.

Appendix A-4

Value of Canadian Shipments of Pleasure Craft by Type of Craft, 1948-1972

Year	Canoes	Rowboats		Outboard Boats inc. Hulls	Cruisers and Yachts - \$'000 -	Estimated Pleasure Craft		Lifeboats and Whaleboats	Motor (g) Boats	Total Value of all Boats Shipped
		Skiffs and Dories, etc.	Sailboats			Other Boats	Shipments			
1948	238	297	243	1,077	..	517	2,371	240	1,196	3,807
1949	303	261	128	1,371	..	479	2,542	182	1,485	4,209
1950	304	260	120	1,587	..	460	2,731	150	1,203	4,084
1951	297	367	80	1,700	..	1,028	3,471	221	1,511	5,202
1952	268	305	77	2,173	..	749	3,571	183	2,407	6,161
1953	235	404	83	2,277	..	1,262	4,261	199	2,016	6,476
1954	328	323	81	2,943	..	1,279	4,954	116	2,088	7,158
1955	273	332	92	3,196	..	1,696	5,589	80	2,221	7,889
1956	319	402	70	3,712	..	2,194	6,698	144	1,994	8,835
1957	425	321	126	5,225	..	2,051	8,148	184	1,720	10,052
1958 (a)	489	519	213 (b)	5,177 (c)	..	957	7,356	126	1,803	9,285
1959	542	403	204 (b)	6,678 (c)	..	1,142	8,969	183	2,428	11,580
1960	393	900	186 (b)	8,159 (c)	..	351	9,988	90	2,167	12,245
1961	597	241	451 (b)	7,806 (c)	..	519	9,614	51	3,030	12,695
1962	668	322	821 (b)	8,468 (c)	..	957	11,236	42	3,716	14,994
1963	671	482	2,218	9,853	..	1,182	14,406	36	4,501	18,943
1964	829	882	2,518	9,801	.. (d)	1,027	15,057	60	5,217	20,334
1965	1,042	1,052	3,153	10,623	2,321	1,780	19,971	171	2,815	22,957
1966	1,188	1,134	5,457	10,108	3,686	1,550	23,123	(f)	3,002	26,125
1967	1,252	1,305	5,251	11,724	4,548	1,083	25,163	168	3,355	28,686
1968	1,428	1,595	6,683	12,970	5,709	1,691	30,076	(f)	3,786	33,862
1969	1,565	1,514	8,642	16,870	5,726	1,464	35,781	(f)	4,258	40,039
1970	2,375	1,724	9,342	14,517	7,200	1,869	37,027	(f)	3,033	40,060
1971	3,708	900	13,372	15,610	6,011	2,086	41,687	(f)	3,367	45,054
1972	3,972	2,310	17,412	13,621	11,334	4,537	53,186	(f)	5,181	58,367

Appendix A-4 (Cont'd)

Number of Pleasure Craft Shipped, by Type of Craft, 1948-1972

Year	Canoes	Rowboats Skiffs and Dories, etc.	Sailboats	Outboard Boats inc. Hulls	Cruisers and Yachts	Other Boats	Estimated Pleasure Craft Shipments	Lifeboats and Whaleboats	Motor (g) Boats	Total Number of all Boats Shipped
1948	2,622	4,518	249	6,420	..	159	13,968	196	814	14,978
1949	3,247	4,389	188	7,877	..	..	15,701	143	1,977	17,821
1950	3,049	4,274	184	9,106	..	244	16,857	147	1,035	18,039
1951	3,066	5,104	119	9,618	..	304	18,211	189	726	19,126
1952	2,770	5,021	164	11,018	..	576	19,549	113	784	20,446
1953	2,368	5,007	126	9,792	..	7,360	24,653	111	574	25,338
1954	3,167	3,699	149	11,511	..	8,597	27,123	95	498	27,716
1955	3,689	3,511	154	12,166	..	11,049	30,569	102	474	31,145
1956	3,807	3,784	142	11,064	..	8,581	27,378	109	591	28,078
1957	4,066	3,419	106	14,861	..	7,912	30,364	109	422	30,895
1958	4,577	4,726	180	19,138	..	409	29,030	77	744	29,851
1959	4,587	4,484	216	22,218	..	349	31,854	88	830	32,772
1960	3,715	4,226	207	20,896	..	128	29,172	35	556	29,763
1961	5,163	2,463	438	19,601	..	218	27,883	43	505	28,431
1962	6,403	2,976	720	20,132	..	635	30,866	30	773	31,669
1963	4,959	3,951	1,810	23,530	..	154	34,404	30	615	35,049
1964	6,117	5,585	1,970	23,171	..	..	36,843	48	614	37,505
1965	8,260	7,841	1,600	25,470	183	..	43,354	60	754	44,168
1966	9,004	8,377	2,354	26,660	418	..	46,813	(f)	402	47,215
1967	9,740	8,845	2,561	28,222	652	..	50,020	122	399	50,541
1968	11,232	9,123	2,543	30,032	887	..	53,817	(f)	472	54,289
1969	12,389	8,778	2,748	40,789	818	..	65,522	(f)	488	66,010
1970	16,694	8,795	2,714	29,505	874	..	58,582	(f)	228	58,810
1971	25,611	5,244	3,407	33,110	568	..	67,940	(f)	261	68,201
1972	27,399	12,118	5,331	28,054	1,265	..	74,167	(f)	272	74,439

Appendix A-4 (Cont'd)
Average Value Per Unit of Canadian Shipments of Pleasure Craft by Type of Craft, 1948-1972

Year	Rowboats		Sailboats	Outboard Boats inc.		Cruisers and Yachts		Estimated Pleasure Craft Shipments	Lifeboats and Whaleboats	Motor (g) Boats	Average Unit Value for all Boats Shipped
	Canoes	Skiffs and Dories, etc.		Hulls	- Unit Value \$ -	Other Boats	Whaleboats				
1948	90.77	65.74	975.90	167.76	..	3,251.57	169.75	1,224.49	1,469.29	254.17	
1949	93.32	59.47	680.85	174.05	..	..	161.90	1,272.73	751.14	236.18
1950	99.70	60.83	652.17	174.28	..	1,885.25	162.01	1,020.41	1,162.32	226.40	
1951	96.87	71.90	672.27	176.75	..	3,381.58	190.60	1,169.31	2,081.27	271.99	
1952	96.75	60.74	469.51	197.22	..	1,300.35	182.67	1,619.47	3,070.15	301.33	
1953	99.24	80.69	658.73	232.54	..	171.47	172.84	1,792.79	3,512.20	255.58	
1954	103.57	87.32	543.62	255.67	..	148.77	182.65	1,221.05	4,192.77	258.26	
1955	74.00	94.56	597.40	262.70	..	153.50	182.83	784.31	4,685.65	253.30	
1956	83.79	106.24	492.96	335.50	..	255.68	244.65	1,321.10	3,373.94	314.66	
1957	104.53	93.89	1,188.68	351.59	..	259.23 (e)	268.34	1,688.07	4,075.83	325.36	
1958	106.84	109.82	1,183.33 (b)	270.51 (c)	..	2,339.85	253.39	1,636.36	2,423.39	311.04	
1959	118.16	89.88	944.44 (b)	300.57 (c)	..	3,272.21	281.57	2,079.55	2,925.30	353.35	
1960	105.79	212.97	898.55 (b)	390.46 (c)	..	2,742.19	342.38	2,571.43	3,897.48	411.42	
1961	115.63	97.85	1,029.68 (b)	398.24 (c)	..	2,380.73	344.80	1,186.05	6,000.00	446.52	
1962	104.33	108.20	1,140.28 (b)	420.62 (c)	..	1,507.09	364.03	1,400.00	4,807.24	473.46	
1963	135.31	121.99	1,225.41 (b)	418.74	..	7,675.32	418.73	1,200.00	7,318.70	540.47	
1964	135.52	157.92	1,278.17	422.99	..	.. (d)	408.68	1,250.00	8,496.74	542.17
1965	126.15	134.17	1,970.63	417.08	12,683.06	..	460.65	2,850.00	3,733.42	519.77	
1966	131.94	135.37	2,318.18	379.14	8,818.18	..	493.94	(f)	7,467.66	553.32	
1967	128.54	147.54	2,050.37	415.42	6,975.46	..	503.06	1,377.05	8,408.52	567.58	
1968	127.14	174.83	2,628.00	431.87	6,436.30	..	558.86	(f)	8,021.19	623.74	
1969	126.32	172.48	3,144.83	413.59	7,000.00	..	546.09	(f)	8,725.41	606.56	
1970	142.27	196.02	3,442.15	492.02	8,237.99	..	632.05	(f)	13,302.63	681.18	
1971	144.78	171.62	3,924.86	471.46	10,582.75	..	613.59	(f)	12,900.38	660.61	
1972	144.97	190.63	3,266.18	485.53	8,959.68	..	717.11	(f)	19,047.79	784.09	

- (a) Data shown for years prior to 1959 pertains to shipments of the "Boatbuilding Industry" only. In 1959 and subsequent years data is for "Boat Shipments of all Industries"
- (b) Includes a small volume of sail fishing boats for the years denoted
- (c) Includes a small volume of boats of other than wood construction for the years denoted
- (d) Power cruisers and motor yachts, as pleasure craft, are included under "Motor Boats" prior to 1965
- (e) Prior to 1958 hulls (unfinished boats) were included with "Other Boats" commencing in 1958 hulls are included with "outboard boats"
- (f) Lifeboats and Whaleboats are shown under "Other Boats" for the recent years indicated
- (g) Includes "Cruisers and Yachts" and "Commercial Fishing Boats" prior to 1965. Commencing in 1965 this category refers to "Commercial Fishing Boats" only

Source: Statistics Canada, Cat. no. 42-205

Appendix A-5
Canadian Shipments of Sailboats, Outboard Boats and Cruisers and Yachts, 1948-1972

Year	Sailboats		Outboard Boats, including hulls			Cruisers and yachts	
	without auxiliary power	with auxiliary power	Aluminum		Wood	23' and over	Under 23'
			- \$'000 -				
1948		243		- 1,077 -			
1949		128		- 1,371 -			
1950		120		- 1,587 -			
1951		80		- 1,700 -			
1952		77		- 2,173 -			
1953		83		- 2,277 -			
1954		81		- 2,943 -			
1955		92		- 3,196 -			
1956		70		- 3,712 -			
1957		126		- 5,225 -			
1958 (a)		213		- 5,177 -			
1959		204 (b)		- 6,678 -			
1960		186 (b)	1,502	3,452	3,206 (c)		
1961		451 (b)	1,675	3,910	2,221 (c)		
1962		821	1,935	4,398	2,135 (c)		
1963		2,218	2,456	5,055	2,342 (c)		
1964		2,518	2,577	5,067	2,157 (c)		
1965			2,626	6,289	1,708	2,321 (d)	
1966	1,680	3,377	2,860	5,969	1,279	3,074	612
1967	2,860	2,391	3,266	7,550	908	3,840	708
1968	3,198	3,485	3,101	9,257	612	4,496	1,212
1969	3,917	4,725	4,593	12,027	250	4,283	1,443
1970	3,372	5,970	4,504	9,618	395	6,054	1,146
1971	5,710	7,662	3,510	11,830	270	3,979	2,032
1972	7,700	9,712	2,916	10,398	307	8,152	3,182

Appendix A-5 (Cont'd)

Canadian Shipments of Sailboats, Outboard Boats and Cruisers and Yachts, 1948-1972

Year	Sailboats		Outboard Boats, including hulls		Cruisers and yachts	
	without auxiliary power	with auxiliary power	Aluminum	Fiberglass - number -	23' and over	Under 23'
1948		249		- 6,420 -		
1949		188		- 7,877 -		
1950		184		- 9,106 -		
1951		119		- 9,618 -		
1952		164		-11,018 -		
1953		126		- 9,792 -		
1954		149		-11,511 -		
1955		154		-12,166 -		
1956		142		-11,064 -		
1957		106		-14,861 -		
1958 (a)		180		-19,138 -		
1959		216 (b)		-22,218 -		
1960		207 (b)	6,560	6,166	8,170 (c)	
1961		438 (b)	7,591	7,057	4,953 (c)	
1962		720 (b)	8,451	7,423	4,258 (c)	
1963		1,810	10,781	7,856	4,893 (c)	
1964		1,970	10,669	8,761	3,741	183 (d)
1965	1,435	165	12,540	10,141	2,789	244
1966	2,156	198	14,080	10,773	1,807	414
1967	2,357	204	15,283	11,840	1,099	485
1968	1,972	571	15,269	13,775	988	492
1969	2,377	371	22,772	17,422	595	510
1970	2,188	526	17,565	11,143	797	418
1971	2,867	520	18,023	14,236	851	736
1972	4,742	589	16,423	10,860	771	

Canadian Shipments of Sailboats, Outboard Boats and Cruisers and Yachts, 1948-1972

Year	Sailboats		Outboard Boats, including hulls		Cruisers and yachts	
	without auxiliary power	with auxiliary power	Aluminum	Fiberglass Unit Value \$ -	23' and over	Under 23'
1948		975.90		- 167.76 -		
1949		680.85		- 174.05 -		
1950		652.17		- 174.28 -		
1951		672.27		- 176.75 -		
1952		469.51		- 197.22 -		
1953		658.73		- 232.54 -		
1954		543.62		- 255.67 -		
1955		597.40		- 262.70 -		
1956		492.96		- 335.50 -		
1957		1,188.68		- 351.59 -		
1958		1,183.33 (b)		- 270.51 -		
1959	(a)	944.44 (b)		- 300.57 -		
1960		898.55 (b)	228.96	559.84 (c)		
1961		1,029.68 (b)	220.66	554.06 (c)		
1962		1,140.28 (b)	228.97	592.48 (c)		
1963		1,225.41 (b)	227.81	643.46 (c)		
1964		1,278.17	241.54	578.36 (c)		
1965		1,170.73	209.41	620.16	12,683.06 (d)	
1966		1,566.33	203.13	554.07	12,598.36	3,517.24
1967		1,213.41	213.70	637.67	9,275.36	2,974.79
1968		1,621.70	203.09	672.01	11,184.08	2,501.03
1969		1,647.88	201.70	690.33	13,138.04	2,932.93
1970		1,541.13	256.42	863.14	16,631.87	2,247.06
1971		1,991.63	194.75	830.99	26,526.67	4,861.24
1972		1,623.79	177.56	957.46	15,410.21	4,323.37

- (a) Data shown for years prior to 1959 pertains to shipments of the "Boatbuilding Industry" only. In 1959 and subsequent years data is for "Boat Shipments of All Industries".
- (b) Includes a small volume of sail fishing boats for the years denoted
- (c) Includes a small volume of boats of other than wood construction for the years denoted
- (d) Power cruisers and motor yachts, as pleasure craft, are included under "Motor Boats" prior to 1965.

Source: Statistics Canada, Cat. No. 42-205

Appendix A-6

Imports under Commodity Class 591-69^(a)
 Pleasure and Sporting Craft, n.e.s., by Country of Origin, 1960-1974
 (includes largely imports classified under tariff item 44003-1)

Year	Total imports		Unit value	Dutiable value	Duty collected	Duty as % of dutiable value
	Number	\$'000	\$	\$'000	\$'000	
<u>Total</u>						
1960	8,181	1,985	242.58	1,979	394	19.9
1961	9,396	1,625	172.98	1,623	323	19.9
1962	7,374	1,387	188.03	1,384	289	20.9
1963	6,913	1,147	165.90	1,142	236	20.6
1964	10,435	1,489	142.69	1,484	298	20.1
1965	14,312	1,719	120.13	1,716	344	20.0
1966	13,597	2,291	168.50	2,285	462	20.2
1967	26,104	3,247	124.40	3,229	658	20.4
1968	22,327	3,543	158.67	3,505	687	19.6
1969	25,943	3,950	152.24	3,879	717	18.5
1970	27,226	3,680	135.16	3,612	625	17.3
1971	64,179	4,959	77.27	4,921	869	17.7
1972	98,450	7,154	72.67	7,067	1,238	17.5
1973	94,651	9,635	101.80	9,584	1,691	17.6
1974	115,870	15,216	131.32	15,119	2,716	18.0

Total British Preferential

1960	589	113	191.23	109	16	15.1
1961	440	110	250.78	109	16	15.1
1962	192	107	558.90	104	17	16.2
1963	252	126	499.06	121	18	15.1
1964	296	123	416.24	118	17	14.6
1965	211	100	474.20	97	14	14.9
1966	189	115	607.68	109	16	15.1
1967	307	281	915.04	263	40	15.2
1968	383	170	442.74	162	25	15.1
1969	1,057	321	303.84	303	46	15.1
1970	1,019	477	467.86	470	70	15.0
1971	1,033	432	418.17	430	65	15.0
1972	981	421	429.49	409	61	14.9
1973	3,092	433	139.89	424	64	15.0
1974	1,002	451	449.69	445	68	15.2

Appendix A-6 (Cont'd)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	<u>Number</u>	<u>\$'000</u>	<u>\$</u>	<u>\$'000</u>	<u>\$'000</u>	
<u>Total Most Favoured Nation</u>						
1960	7,592	1,872	246.57	1,871	377	20.2
1961	8,956	1,515	169.15	1,515	306	20.2
1962	7,167	1,272	177.42	1,272	270	21.2
1963	6,659	1,021	153.25	1,021	217	21.3
1964	10,139	1,366	134.71	1,366	281	20.6
1965	14,101	1,619	114.83	1,619	329	20.4
1966	13,408	2,176	162.31	2,176	446	20.5
1967	25,797	2,966	114.99	2,966	618	20.9
1968	21,944	3,373	153.71	3,343	662	19.8
1969	24,868	3,627	145.83	3,574	671	18.8
1970	26,207	3,203	122.23	3,142	554	17.6
1971	63,146	4,527	71.69	4,491	804	17.9
1972	97,469	6,733	69.07	6,657	1,188	17.7
1973	91,559	9,203	100.51	9,160	1,627	17.8
1974	114,868	14,765	128.54	14,673	2,649	18.0

United Kingdom

1960	589	113	191.23	109	16	15.1
1961	440	110	250.78	109	16	15.1
1962	190	106	558.53	103	17	16.1
1963	251	125	498.45	121	18	15.1
1964	269	121	451.22	116	17	14.5
1965	208	96	462.73	95	14	14.9
1966	189	115	607.68	109	16	15.1
1967	306	280	914.28	263	40	15.2
1968	381	168	440.32	161	24	15.1
1969	1,057	321	303.84	303	46	15.1
1970	1,013	394	388.66	389	58	15.0
1971	1,031	431	417.70	429	65	15.0
1972	980	420	428.70	408	61	14.9
1973	3,091	432	139.75	423	63	15.0
1974	1,000	434	434.16	429	65	15.1

Appendix A-6 (Cont'd)

Year	Total imports		Unit value	Dutiable value	Duty collected	Duty as % of dutiable value
	Number	\$'000	\$	\$'000	\$'000	
<u>Austria</u>						
1960	11	*	43.64	*	*	20.0
1961	-	-	-	-	-	-
1962	-	-	-	-	-	-
1963	49	3	62.96	3	1	19.9
1964	103	8	72.88	8	1	19.8
1965	-	-	-	-	-	-
1966	-	-	-	-	-	-
1967	7	*	59.14	*	*	19.8
1968	-	-	-	-	-	-
1969	1	1	682.00	1	*	18.9
1970	1	1	1,312.00	1	*	17.5
1971	1	1	995.00	1	*	17.5
1972	1	1	777.00	1	*	17.9
1973	-	-	-	-	-	-
1974	144	7	51.07	7	1	17.5
<u>Denmark</u>						
1960	22	11	502.73	11	2	20.0
1961	24	12	512.88	12	3	23.0
1962	14	18	1,291.07	18	4	20.0
1963	2	*	215.00	*	*	19.3
1964	14	4	281.86	4	1	20.1
1965	6	15	2,516.67	15	4	24.6
1966	12	8	630.33	8	2	20.0
1967	33	54	1,644.76	54	13	24.2
1968	15	10	639.67	4	1	19.5
1969	76	22	287.58	8	1	17.7
1970	82	15	185.04	4	1	17.2
1971	36	13	372.50	4	1	17.1
1972	154	30	194.77	9	2	17.0
1973	64	19	290.00	9	2	17.5
1974	92	80	865.00	69	13	19.2

Appendix A-6 (Cont'd)

Year	Total imports		Unit value	Dutiable value	Duty collected	Duty as % of dutiable value
	Number	\$'000	\$	\$'000	\$'000	
<u>France</u>						
1960	103	11	111.00	11	2	20.3
1961	105	17	157.32	17	3	20.4
1962	106	23	220.81	23	5	21.5
1963	86	7	80.03	7	1	19.9
1964	250	17	68.13	17	3	19.7
1965	194	23	120.48	23	5	20.2
1966	394	43	108.01	43	9	20.0
1967	270	46	169.17	46	10	21.6
1968	616	55	88.85	55	11	20.0
1969	804	54	66.71	54	10	17.9
1970	829	73	88.43	72	13	17.6
1971	873	177	203.16	174	31	17.8
1972	6,013	429	71.30	428	75	17.6
1973	2,078	405	194.72	405	71	17.5
1974	1,228	336	273.26	336	59	17.5

<u>Germany West</u>						
1960	254	44	171.46	44	9	20.1
1961	280	56	200.16	56	11	20.2
1962	179	41	227.16	41	9	21.1
1963	70	16	229.36	16	3	20.2
1964	151	33	216.58	33	7	20.0
1965	116	29	253.95	29	6	19.9
1966	128	30	235.60	30	6	20.0
1967	150	44	292.59	44	9	20.3
1968	202	68	334.90	66	13	19.4
1969	197	71	362.86	69	14	21.0
1970	151	65	432.11	65	11	17.5
1971	233	89	383.64	89	16	17.6
1972	679	176	259.42	168	29	17.5
1973	764	271	355.18	271	47	17.5
1974	274	144	524.30	144	25	17.5

Appendix A-6 (Cont'd)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	<u>Number</u>	<u>\$'000</u>	<u>\$</u>	<u>\$'000</u>	<u>\$'000</u>	
<u>Italy</u>						
1960	1	*	390.00	*	*	20.0
1961	18	14	752.83	14	3	20.0
1962	9	10	1,086.67	10	2	20.7
1963	4	2	601.25	2	*	20.6
1964	10	*	28.40	*	*	19.7
1965	38	4	104.84	4	1	20.0
1966	6	10	1,601.67	10	2	19.7
1967	32	8	255.72	8	2	23.2
1968	17	18	1,030.71	2	*	19.5
1969	29	19	664.17	5	1	18.0
1970	760	29	38.74	19	3	16.9
1971	6,852	88	12.78	75	13	17.5
1972	18,020	137	7.61	123	21	17.5
1973	3,802	65	17.22	56	10	17.5
1974	11,586	242	20.90	187	33	17.5

<u>Netherlands</u>						
1960	43	31	715.37	31	6	19.9
1961	14	11	815.50	11	2	21.1
1962	10	14	1,405.20	14	3	22.5
1963	12	2	196.50	2	*	19.6
1964	19	12	626.58	12	2	19.9
1965	16	12	758.94	12	2	19.3
1966	2	1	689.00	1	*	20.0
1967	7	6	824.86	6	1	22.5
1968	1	*	184.00	*	*	19.0
1969	1	2	1,650.00	2	*	19.0
1970	2	13	6,620.00	13	3	25.0
1971	351	13	37.53	13	2	17.5
1972	7	72	10,283.43	71	17	23.6
1973	9	27	2,998.22	24	6	24.2
1974	11,369	276	24.25	274	54	19.7

Appendix A-6 (Cont'd)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	<u>Number</u>	<u>\$'000</u>	<u>\$</u>	<u>\$'000</u>	<u>\$'000</u>	
<u>Norway</u>						
1960	98	43	434.71	43	9	20.0
1961	22	3	154.95	3	1	20.1
1962	7	6	801.29	6	1	19.9
1962	8	3	316.63	3	1	20.0
1964	7	1	174.00	1	*	23.5
1965	6	10	1,711.50	10	2	20.0
1966	2	6	3,057.00	6	1	20.0
1967	6	52	8,587.67	52	13	25.0
1968	3	11	3,581.00	11	2	19.5
1969	6	1	159.50	1	*	17.5
1970	9	4	428.78	4	1	17.2
1971	22	26	1,165.14	26	4	17.4
1972	13	18	1,397.62	2	*	17.4
1973	7	6	835.29	6	1	17.5
1974	2	26	13,207.00	26	6	24.2
<u>Sweden</u>						
1960	6	1	111.67	1	*	20.6
1961	26	8	310.27	8	2	20.0
1962	14	9	661.64	9	2	20.2
1963	5	1	117.20	1	*	21.3
1964	2	*	155.00	*	*	18.7
1965	1	*	320.00	*	*	20.0
1966	1	*	329.00	*	*	19.8
1967	2	7	3,405.00	7	1	21.1
1968	10	3	316.00	3	1	19.5
1969	1	2	1,976.00	2	*	17.5
1970	1	2	2,165.00	2	*	17.5
1971	4	21	5,312.75	21	4	17.5
1972	2	10	5,198.50	10	2	17.5
1973	-	-	-	-	-	-
1974	3	21	6,842.00	21	4	17.5

Appendix A-6 (Cont'd)

Year	Total imports		Unit value	Dutiable value	Duty collected	Duty as % of dutiable value
	Number	\$'000	\$	\$'000	\$'000	
<u>Czechoslovakia</u>						
1960	1	*	91.00	*	*	19.8
1961	-	-	-	-	-	-
1962	-	-	-	-	-	-
1963	-	-	-	-	-	-
1964	220	3	15.68	3	1	19.9
1965	1,160	17	15.05	17	3	19.8
1966	1,024	24	23.51	24	5	20.5
1967	9,547	64	6.67	64	13	20.5
1968	716	12	17.31	12	2	19.3
1969	270	4	15.21	4	1	23.1
1970	-	-	-	-	-	-
1971	-	-	-	-	-	-
1972	450	7	14.70	7	2	28.1
1973	-	-	-	-	-	-
1974	50	2	34.04	2	*	17.5
<u>Poland</u>						
1960	136	5	33.31	5	1	21.0
1961	55	2	44.47	2	*	20.0
1962	67	8	124.10	8	2	23.1
1963	155	13	80.83	13	3	21.5
1964	132	4	32.86	4	1	19.7
1965	-	-	-	-	-	-
1966	325	8	24.10	8	2	20.5
1967	125	3	22.35	3	1	20.0
1968	193	5	28.21	5	1	19.5
1969	401	8	20.53	8	2	20.4
1970	75	3	34.67	3	*	17.1
1971	280	5	18.88	5	1	21.2
1972	422	11	27.00	11	2	17.5
1973	203	4	21.34	4	1	16.4
1974	100	4	43.70	4	1	17.5

Appendix A-6 (Cont'd)

Year	Total imports		Unit value	Dutiable value	Duty collected	Duty as % of dutiable value
	Number	\$'000	\$	\$'000	\$'000	
<u>Hong Kong</u>						
1960	22	15	674.18	15	3	20.4
1961	-	-	-	-	-	-
1962	-	-	-	-	-	-
1963	2	7	3,381.00	7	2	25.0
1964	2	16	7,808.50	16	4	25.0
1965	5	12	2,333.20	12	3	24.5
1966	1	1	1,346.00	1	*	20.0
1967	2	6	2,900.00	6	1	25.0
1968	-	-	-	-	-	-
1969	3	27	9,071.33	19	5	25.0
1970	2	10	4,754.00	10	2	17.6
1971	1	13	13,156.00	13	3	25.0
1972	2	34	16,939.00	34	7	20.9
1973	2	23	11,358.00	23	5	21.4
1974	1	21	21,176.00	21	5	25.0
<u>Japan</u>						
1960	1,003	36	35.41	36	7	20.4
1961	2,457	55	22.49	55	11	20.3
1962	3,028	56	18.61	56	12	21.7
1963	3,364	55	16.21	55	12	21.9
1964	3,152	50	16.01	50	10	19.9
1965	4,530	78	17.24	78	15	19.8
1966	5,403	93	17.30	93	19	19.9
1967	6,896	125	18.11	125	25	20.4
1968	8,254	151	18.31	151	29	19.3
1969	10,548	192	18.19	192	42	21.7
1970	13,447	237	17.61	237	41	17.4
1971	28,696	374	13.02	374	64	17.1
1972	18,820	331	17.61	331	57	17.1
1973	11,997	280	23.36	280	48	17.1
1974	12,007	327	27.26	327	57	17.3

Appendix A-6 (Cont'd)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	<u>Number</u>	<u>\$'000</u>	<u>\$</u>	<u>\$'000</u>	<u>\$'000</u>	

Australia

1960-62	-	-	-	-	-	-
1963	1	1	653.00	-	-	-
1964	-	-	-	-	-	-
1965	1	2	2,055.00	-	-	-
1966	-	-	-	-	-	-
1967	1	1	1,147.00	-	-	-
1968	1	1	617.00	-	-	-
1969	-	-	-	-	-	-
1970	6	83	13,839.50	81	12	15.0
1971	2	1	656.50	1	*	14.9
1972	1	1	1,199.00	1	*	14.9
1973	-	-	-	-	-	-
1974	1	2	2,014.00	2	*	15.0

United States of America

1960	5,890	1,676	284.50	1,674	338	20.2
1961	5,952	1,335	224.37	1,335	270	20.2
1962	3,731	1,085	290.85	1,085	230	21.2
1963	2,901	912	314.41	912	194	21.2
1964	6,077	1,217	200.27	1,217	250	20.6
1965	7,998	1,416	177.08	1,416	288	20.3
1966	6,060	1,950	321.74	1,949	401	20.5
1967	6,817	2,533	371.61	2,533	525	20.7
1968	10,125	3,001	296.38	2,995	594	19.8
1969	10,560	3,197	302.79	3,184	588	18.5
1970	8,038	2,710	337.09	2,672	472	17.6
1971	11,691	3,458	295.80	3,448	613	17.8
1972	16,479	5,043	306.04	5,032	885	17.6
1973	19,871	7,637	384.32	7,617	1,352	17.8
1974	26,356	12,424	471.38	12,400	2,237	18.0

Appendix A-6 (Concl'd)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	<u>Number</u>	<u>\$'000</u>	<u>\$</u>	<u>\$'000</u>	<u>\$'000</u>	
<u>Taiwan</u>						
1960-64	-	-	-	-	-	-
1965	30	*	14.57	*	*	19.5
1966	50	2	41.06	2	*	20.0
1967	525	7	13.92	7	1	19.6
1968	1,770	21	11.97	21	4	19.3
1969	1,840	25	13.39	25	6	24.6
1970	2,805	40	14.19	40	7	17.2
1971	2,788	62	22.23	62	12	19.9
1972	22,028	255	11.60	255	46	18.0
1973	44,923	370	8.23	370	68	18.4
1974	44,289	496	11.21	496	87	17.5
<u>Other Countries</u>						
1960	2	*	161.00	*	*	19.9
1961	3	*	165.00	*	*	20.0
1962	19	10	510.89	10	2	24.2
1963	3	1	288.00	1	*	23.5
1964	27	2	67.78	2	*	21.4
1965	3	2	809.67	2	*	17.3
1966	-	-	-	-	-	-
1967	1,378	12	8.82	12	2	19.3
1968	23	20	853.52	18	4	20.2
1969	149	3	22.99	3	1	24.0
1970	5	1	242.60	1	*	17.4
1971	11,318	186	16.45	186	39	21.2
1972	14,379	177	12.33	174	31	18.2
1973	7,840	97	12.32	97	17	17.2
1974	7,368	374	50.73	374	69	18.5

(a) Prior to 1964, included in class 9152 "Boats, open, pleasure; sail boats, skiffs and canoes"

Source: Statistics Canada, cat. nos 65-007 and 65-203

Appendix A-7

Imports under Commodity Class 591-58^(a)
 Pleasure and Sporting Craft, Self-propelled - by Country of Origin,
 1960-1974 (includes largely imports classified under tariff item
 44004-1)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	Number	Value \$ '000	\$	\$ '000	\$ '000	
<u>Total</u>						
1960	393	1,885	4,796.05	1,885	467	24.8
1961	378	1,942	5,137.42	1,942	483	24.9
1962	264	1,493	5,655.86	1,493	373	25.0
1963	210	1,284	6,114.50	1,284	320	24.9
1964	178	1,189	6,677.31	1,189	295	24.8
1965	268	1,902	7,098.38	1,894	466	24.6
1966	270	1,628	6,029.75	1,627	401	24.6
1967	275	1,697	6,171.52	1,675	414	24.7
1968	502	2,380	4,741.43	2,363	567	24.0
1969	741	3,232	4,361.58	3,186	678	21.3
1970	668	2,839	4,250.52	2,835	564	19.9
1971	1,067	5,335	4,999.72	5,331	1,089	20.4
1972	1,828	8,121	4,442.54	8,101	1,619	20.0
1973	3,440	14,486	4,211.08	14,433	2,702	18.7
1974	6,195	29,278	4,726.06	29,265	5,487	18.7

Total British Preferential

1960	17	45	2,622.76	45	7	15.0
1961	9	22	2,402.89	22	3	15.0
1962	1	1	798.00	1	*	15.0
1963	1	3	2,836.00	3	*	15.0
1964	4	21	5,347.25	21	3	15.0
1965	17	64	3,761.00	64	10	15.0
1966	10	47	4,686.60	47	7	15.0
1967	7	27	3,869.43	27	4	15.0
1968	13	126	9,683.08	126	28	21.9
1969	64	245	3,833.42	238	36	15.1
1970	18	151	8,367.22	150	24	15.7
1971	31	154	4,955.97	153	23	15.0
1972	23	174	7,551.70	173	28	16.1
1973	16	203	12,656.63	202	30	15.0
1974	31	648	20,898.81	635	95	15.0

Appendix A-7 (Cont'd)

Year	Total imports		Unit value	Dutiable value	Duty collected	Duty as % of dutiable value
	Number	Value				
		\$ '000	\$	\$ '000	\$ '000	
<u>Total Most Favoured Nation</u>						
1960	376	1,840	4,894.31	1,840	460	25.0
1961	369	1,920	5,204.12	1,920	480	25.0
1962	263	1,492	5,674.33	1,492	373	25.0
1963	209	1,281	6,130.19	1,281	320	25.0
1964	174	1,167	6,707.89	1,167	292	25.0
1965	251	1,838	7,324.41	1,830	456	24.9
1966	260	1,581	6,081.41	1,580	394	24.9
1967	268	1,670	6,231.65	1,648	410	24.9
1968	489	2,254	4,610.06	2,238	539	24.1
1969	677	2,987	4,411.51	2,948	642	21.8
1970	650	2,689	4,136.52	2,685	541	20.1
1971	1,036	5,181	5,001.03	5,178	1,066	20.6
1972	1,805	7,947	4,402.92	7,927	1,591	20.1
1973	3,424	14,284	4,171.61	14,231	2,671	18.8
1974	6,164	28,630	4,644.72	28,630	5,392	18.8

United Kingdom

1960	17	45	2,622.76	45	7	15.0
1961	9	22	2,402.89	22	3	15.0
1962	1	1	798.00	1	*	15.0
1963	1	3	2,836.00	3	*	15.0
1964	4	21	5,347.25	21	3	15.0
1965	17	64	3,761.00	64	10	15.0
1966	10	47	4,686.60	47	7	15.0
1967	7	27	3,869.43	27	4	15.0
1968	8	45	5,601.38	45	7	16.3
1969	33	206	6,248.06	199	30	15.1
1970	14	103	7,387.43	103	15	15.0
1971	28	106	3,796.32	106	16	15.0
1972	20	98	4,879.50	97	15	15.1
1973	12	68	5,667.25	68	10	15.1
1974	17	80	4,700.94	67	10	15.0

Denmark

1964	1	6	5,945.00	6	1	25.0
1965	1	3	3,388.00	3	1	25.0
1966	7	36	5,085.00	36	9	25.0
1967	17	83	4,897.82	83	21	25.0
1968	3	43	14,479.67	43	10	23.3
1969	8	89	11,084.50	89	19	21.3
1970	8	44	5,519.25	44	7	16.9
1971	2	26	13,123.50	26	6	21.9
1972	11	124	11,281.82	124	26	20.7
1973	17	278	16,379.71	278	57	20.5
1974	41	563	13,738.98	563	111	19.7

Appendix A-7 (Cont'd)

Year	Total imports		Unit value	Dutiable value	Duty collected	Duty as % of dutiable value
	Number	Value	\$	\$'000	\$'000	
		\$'000				
Italy						
1965	2	32	15,887.00	32	8	24.6
1966	-	-	-	-	-	-
1967	1	16	15,509.00	16	4	24.6
1968	1	10	10,260.00	10	2	23.5
1969	-	-	-	-	-	-
1970	1	21	21,085.00	21	4	17.5
1971	-	-	-	-	-	-
1972	-	-	-	-	-	-
1973	-	-	-	-	-	-
1974	-	-	-	-	-	-
Netherlands						
1964	1	4	4,147.00	4	1	25.0
1965	-	-	-	-	-	-
1966	1	5	5,316.00	5	1	25.0
1967	-	-	-	-	-	-
1968	1	76	76,020.00	76	19	25.0
1969	3	42	13,942.00	42	9	22.2
1970	-	-	-	-	-	-
1971	1	81	80,800.00	81	20	25.0
1972	1	5	4,813.00	5	1	17.5
1973	1	2	1,571.00	2	*	17.4
1974	-	-	-	-	-	-
Norway						
1964	1	4	4,000.00	4	1	25.0
1965	2	11	5,480.00	11	3	25.0
1966	-	-	-	-	-	-
1967	16	129	8,061.81	129	32	24.5
1968	5	35	6,988.20	35	8	23.3
1969	2	8	4,161.00	8	1	17.5
1970	1	17	17,029.00	17	3	17.5
1971	5	24	4,744.00	24	4	17.3
1972	6	39	6,459.50	28	5	17.4
1973	-	-	-	-	-	-
1974	1	184	184,300.00	184	46	25.0

Appendix A-7

(Cont'd)

Year	Total		Unit	Dutiable	Duty	Duty as %
	imports						value	value	collected	of dutiable
	Number	Value	\$	\$'000	\$'000	value
		\$'000				
Hong Kong						
1960	3	21	6,847.67	21	5	25.1
1961	-	-	-	-	-	-
1962	-	-	-	-	-	-
1963	-	-	-	-	-	-
1964	6	48	8,007.83	48	12	25.0
1965	5	67	13,437.40	67	17	25.0
1966	1	24	24,480.00	24	6	25.0
1967	2	32	15,761.00	32	8	25.0
1968	14	177	12,650.14	177	43	24.4
1969	11	130	11,784.64	116	26	22.2
1970	7	140	19,996.43	140	34	23.9
1971	3	80	26,672.00	80	19	24.1
1972	6	324	53,962.33	324	81	24.9
1973	2	85	42,459.50	85	21	25.0
1974	2	89	44,447.00	89	22	25.0
New Zealand						
1969	31	39	1,263.00	39	6	15.0
1970	1	6	5,879.00	6	1	15.0
1971	1	3	2,624.00	3	*	15.0
1972	-	-	-	-	-	-
1973	-	-	-	-	-	-
1974	-	-	-	-	-	-
United States of America						
1960	368	1,793	4,872.40	1,793	448	25.0
1961	361	1,910	5,292.15	1,910	477	25.0
1962	263	1,492	5,674.33	1,492	373	25.0
1963	209	1,281	6,130.19	1,281	320	25.0
1964	165	1,105	6,697.17	1,105	276	25.0
1965	241	1,725	7,158.17	1,716	428	24.9
1966	251	1,516	6,038.95	1,515	377	24.9
1967	232	1,411	6,081.03	1,389	346	24.9
1968	468	1,906	4,071.97	1,889	455	24.1
1969	653	2,718	4,162.54	2,694	587	21.8
1970	628	2,401	3,823.90	2,398	483	20.1
1971	1,010	4,844	4,795.68	4,840	994	20.5
1972	1,754	7,219	4,115.83	7,216	1,436	19.9
1973	3,382	13,676	4,043.64	13,644	2,551	18.7
1974	6,079	27,273	4,486.46	27,273	5,108	18.7

Appendix A-7 (Concl'd)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	Number	Value \$ '000	\$	\$ '000	\$ '000	
<u>Other Countries</u>						
1960	5	27	5,334.60	27	7	25.0
1961	8	10	1,231.63	10	2	24.6
1962-67	-	-	-	-	-	-
1968	2	88	43,972.00	88	22	25.0
1969	-	-	-	-	-	-
1970	8	106	13,299.25	106	17	16.0
1971	17	171	10,080.29	171	29	16.8
1972	30	313	10,425.37	307	56	18.3
1973	26	378	14,521.77	356	62	17.5
1974	55	1,088	19,787.40	1,088	189	17.4

(a) Prior to 1964, included in classes: 9153 "Launches, pleasure, steam, gasoline or other motive power", and 9157 "Vessels and other water-borne craft, built outside of Canada n.o.p."

Source: Statistics Canada, cat. nos. 65-007 and 65-203

Appendix A-8

Imports and Exports of Pleasure Craft, 1934-1974

Year	Imports (a)		Exports (c)	
	Number	Value	Number	Value
		\$		\$
1934	204	30,498	..	33,151
1935	439	61,145	..	23,691
1936	319	68,239	..	41,466
1937	445	93,655	..	43,231
1938 (b)	363	125,411	..	54,884 (b)
1939	390	146,658	..	115,326
1940	272	54,685	..	74,911
1941	425	54,044	..	62,192
1942	443	174,111	..	85,244
1943	213	167,783	..	128,756
1944	157	37,513	..	1,361,819
1945	271	50,616	..	262,408
1946	623	245,067	..	762,766
1947	790	447,335	..	967,529
1948	309	67,112	..	803,693
1949	295	93,103	..	518,282
1950	409	102,128	..	505,857
1951	778	421,649	..	575,793
1952	1,046	672,258	..	922,054
1953	1,245	595,259	..	1,335,468
1954	1,127	505,741	..	1,722,645
1955	1,543	720,422	..	2,020,507
1956	2,099	1,220,113	..	1,639,423
1957	3,207	1,567,460	..	1,283,432
1958	3,317	2,068,515	..	1,018,113
1959	7,059	3,307,931	..	1,192,038
1960	8,574	3,869,409	..	1,316,625
1961	9,774	3,567,222	1,050	1,262,887
1962	7,638	2,879,656	1,321	995,022
1963	7,123	2,430,926	1,254	1,639,458
1964	10,613	2,677,551	1,911	2,522,881
1965	14,580	3,621,658	1,816	2,946,398
1966	13,867	3,919,104	3,130	3,478,111
1967	26,379	4,944,570	4,591	4,468,055
1968	22,829	5,922,798	6,938	7,392,086
1969	26,684	7,181,521	8,392	10,920,238
1970	27,894	6,519,302	5,073	10,912,435
1971	65,246	10,293,780	8,128	12,282,596
1972	100,278	15,274,920	11,873	17,235,893
1973	98,091	24,121,317	17,411	23,295,467
1974	122,065	44,493,593	13,534	23,666,074

Imports and Exports of Pleasure Craft 1934-1974

-
- (a) Includes classes: 591-58 "Pleasure and sporting craft self-propelled", prior to 1964 was class 9153 "Launches, pleasure, steam, gasoline or other motive power"; and class 591-69 "Pleasure and sporting craft n.e.s.", "prior to 1964 was class 9152 "Boats open pleasure; sail boats, skiffs and canoes"
 - (b) Prior to 1939 year-ended March 31st
 - (c) Includes classes 591-58 "Pleasure and sporting craft self-propelled", prior to 1971 was class 590-15, prior to 1961 was class 9390 "Gasoline, launches and yachts"; and class 591-69 "Pleasure and sporting craft n.e.s.", prior to 1971 was class 590-17, prior to 1961 was class 9380 "Boats and sporting craft n.e.s."; and class 591-63 "Sailing craft", prior to 1973 was included in class 591-69; also includes re-exports.

Source: Statistics Canada Cat. nos 65-004 and 65-007

Pleasure Craft Imports for the Period March 1971 to February 1972 (inclusive)

Analysis 1: Imports by Principal Product Group

Type of boats	Number	Value \$	Unit Value \$	As per cent of total	
				Number	Value
Canoes	434	64,144	148	0.7	0.7
Utility boats	4,611	777,821	169	7.4	8.0
Runabouts:					
outboard	1,836	1,465,917	798	2.9	15.1
inboard/outboard (a)	625	1,393,077	2,229	1.0	14.4
inboard	7	43,591	6,227	*	0.4
total runabouts	2,468	2,902,585	1,176	3.9	29.9
Sailboats:					
non-ballasted (b)	1,982	384,911	194	3.2	4.0
ballasted,					
without auxiliary power	66	186,213	2,821	0.1	1.9
ballasted,					
with auxiliary power	63	533,705	8,472	0.1	5.5
unspecified	47	38,592	821	0.1	0.4
total sailboats	2,158	1,143,421	530	3.5	11.8
Power Cruisers	372	3,445,659	9,263	0.6	35.6
Other boats:					
inflatable (c)	49,553	742,960	15	79.3	7.7
other	577	291,767	506	0.9	3.0
total other boats (d)	50,130	1,034,727	21	80.2	10.7
Unidentified boats	2,323	323,596	139	3.7	3.3
Total all boats	62,496	9,691,953	155	100.0	100.0

(a) Includes blanks

(b) Includes sailboards

(c) Includes houseboats, pedal boats, all multihull sailcraft, pontoon boats, scooters, etc.

(d) Not identified due to lack of descriptive information

Analysis 2: Imports of Canoes, by Material

Material	Number	Value \$	Unit Value \$	As per cent of total	
				Number	Value
Aluminum	353	57,491	163	81.3	89.6
Fibreglass & wood/canvas (a)	65	4,659	72	15.0	7.3
Material unspecified	16	1,994	125	3.7	3.1
Total canoes	434	64,144	148	100.0	100.0

(a) Combined for confidentiality. Principally wood/canvas

Analysis 3: Imports of Utility Boats, by Material

Aluminum	4,236	731,204	173	91.9	94.0
Fibreglass & other (a)	375	46,617	124	8.1	6.0
Total utility boats	4,611	777,821	169	100.0	100.0

(a) Combined for confidentiality. Principally fibreglass

Analysis 4: Imports of Runabouts, Outboard, by Length and Material

Length and Material	Number	Value \$	Unit Value \$	As per cent of total	
				Number	Value
<u>14'11" & under:</u>					
Fibreglass	219	135,562	619	11.9	9.2
Aluminum	155	63,494	410	8.4	4.3
Material unspecified	1	191	191	*	*
Total	375	199,247	531	20.4	13.6
<u>15' - 16'11":</u>					
Fibreglass	524	465,908	889	28.5	31.8
Aluminum	570	377,983	663	31.1	25.8
Material unspecified	3	2,338	779	0.1	0.2
Total	1,097	846,229	771	59.7	57.7
<u>17' & over:</u>					
Fibreglass	148	197,166	1,332	8.1	13.5
Aluminum	196	203,498	1,038	10.7	13.9
Material unspecified	6	6,926	1,154	0.3	0.5
Total	350	407,590	1,165	19.1	27.8
<u>Length Unspecified:</u>					
Fibreglass and aluminum	14	12,851	918	0.8	0.9
Total outboards	1,836	1,465,917	798	100.0	100.0

Analysis 5: Imports of Runabouts, Inboard/Outboard (a), by Length and Material

Length and material	Number	Value \$	Unit Value \$	As per cent of total	
				Number	Value
<u>16'11" & under:</u>					
Fibreglass	90	182,434	2,027	14.4	13.1
Aluminum	-	-	-	-	-
Material unspecified	1	2,311	2,311	0.2	0.2
Total	91	184,745	2,030	14.6	13.3
<u>17' - 19'11"</u>					
Fibreglass	245	551,449	2,251	39.2	39.6
Aluminum & material unspecified (b)	116	146,135	1,260	18.6	10.5
Total	361	697,584	1,932	57.8	50.1
<u>20' & over:</u>					
Fibreglass	129	428,620	3,323	20.6	30.8
Aluminum & material unspecified (b)	34	54,368	1,599	5.4	3.9
Total	163	482,988	2,963	26.1	34.7
<u>Length unspecified:</u>					
Fibreglass	8	23,461	2,933	1.3	1.7
Aluminum	-	-	-	-	-
Material unspecified	2	4,299	2,150	0.3	0.3
Total	10	27,760	2,776	1.6	2.0
<u>Total inboard/outboards</u>	625	1,393,077	2,229	100.0	100.0

Supplement to analysis 5
Imports of all Inboard/Outboard Runabouts, by Material

<u>Material</u>	<u>Number</u>	<u>Value</u> \$	<u>Unit Value</u> \$	<u>As per cent of total</u>	
				<u>Number</u>	<u>Value</u>
Fibreglass	472	1,185,964	2,513	75.5	85.1
Aluminum	145	189,290	1,305	23.2	13.6
Material unspecified	8	17,823	2,228	1.3	1.3
<u>Total inboard/outboards</u>	625	1,393,077	2,229	100.0	100.0

- (a) Includes blanks
(b) Combined for confidentiality. Principally aluminum

Analysis 6: Imports of Runabouts, Inboard, by Length

Length (a)	Number	Value \$	Unit Value \$	As per cent of total	
				Number	Value
16'11" & under	-	-	-	-	-
17' - 19'11"	x	x	x	x	x
20' & over	x	x	x	x	x
<u>Total inboards</u>	7	43,591	6,227	100.0	100.0

(a) All inboards were of fibreglass only

Appendix A-9 (Cont'd)

Analysis 7: Imports of Sailboats, Non-ballasted^(a), by Length and Material

Length and Material	Number	Value \$	Unit Value \$	As per cent of total	
				Number	Value
14'11" & under:					
Fibreglass ^(b)	199	63,912	321	10.0	16.6
Other	1,611	169,319	105	81.3	44.0
Total	1,810	233,231	129	91.3	60.6
15' & over ^(c)					
Fibreglass ^(d)	150	129,326	862	7.6	33.6
Other	22	22,354	1,016	1.1	5.8
Total	172	151,680	882	8.7	39.4
Total sailboats, non-ballasted	1,982	384,911	194	100.0	100.0

- (a) Mono-hull: sailcraft equipped with a moveable centre board. Includes sailboards
- (b) Principally plastic. Includes sailboats of wood
- (c) Principally sailboats in 15'11" to 19'11" length category
- (d) Mainly unspecified as to material of construction

Analysis 8: Imports of Sailboats, Ballasted, Without Auxiliary Power, by Length and Material

<u>Length and Material</u>	<u>Number</u>	<u>Value</u> \$	<u>Unit Value</u> \$	<u>As per cent of total</u>	
				<u>Number</u>	<u>Value</u>
<u>19'11" & under:</u>					
Fibreglass	12	15,887	1,324	18.2	8.5
<u>20' - 25'11":</u>					
Fibreglass	43	90,719	2,110	65.2	48.7
Material unspecified	1	2,468	2,468	1.5	1.3
Total	44	93,187	2,118	66.7	50.0
<u>26' - 30'11"</u>					
Fibreglass	8	69,734	8,717	12.1	37.4
<u>31' & over:</u>					
Material unspecified	1	5,555	5,555	1.5	3.0
<u>Length unspecified:</u>					
Fibreglass	1	1,850	1,850	1.5	1.0
Total	66	186,213	2,821	100.0	100.0

Appendix A-9 (Cont'd)

Analysis 9: Imports of Sailboats, Ballasted, With Auxiliary Power, by Length

Length	Number	Value \$	Unit Value \$	As per cent of total	
				Number	Value
25'11" & under (a)	14	69,791	4,985	22.2	13.1
26' - 30'11"	35	235,421	6,726	55.6	44.1
31' - 35'11"	11	175,607	15,964	17.5	32.9
36' & over	3	52,886	17,629	4.8	9.9
Total	63	533,705	8,472	100.0	100.0

(a) Principally between 20' & 25'11"

Supplement to analysis 9

- By material -

Material					
Fibreglass	55	460,116	8,366	87.3	86.2
Other	3	15,327	5,109	4.8	2.9
Material unspecified	5	58,262	11,652	7.9	10.9
Total	63	533,705	8,472	100.0	100.0

Appendix A-9 (Cont'd)

Analysis 10: Imports of Power Cruisers, by Length and Material

Length and Material	Number	Value \$	Unit Value \$	As per cent of total	
				Number	Value
24'11" and under:					
Fibreglass	85	417,675	4,914	22.8	12.1
Aluminum and wood (a)	51	104,314	2,045	13.7	3.0
Material unspecified	6	22,960	3,827	1.6	0.7
Total	142	544,949	3,838	38.2	15.8
25' - 30':					
Fibreglass	69	623,516	9,036	18.5	18.1
Aluminum	-	-	-	-	-
Wood	15	99,059	6,604	4.0	2.9
Material unspecified	32	149,196	4,662	8.6	4.3
Total	116	871,771	7,515	31.2	25.3
30'1" and over:					
Fibreglass	68	1,261,759	18,555	18.3	36.6
Aluminum	-	-	-	-	-
Wood	9	210,565	23,396	2.4	6.1
Material unspecified	31	529,529	17,082	8.3	15.4
Total	108	2,001,853	18,536	29.0	58.1
Unspecified by length or material					
	6	27,086	4,514	1.6	0.8
Total power cruisers	372	3,445,659	9,263	100.0	100.0

Supplement to analysis 10
Imports of all Power Cruisers, by Material

<u>Material</u>	<u>Number</u>	<u>Value</u> \$	<u>Unit Value</u> \$	<u>As per cent of total</u>	
				<u>Number</u>	<u>Value</u>
Fibreglass	222	2,302,950	10,374	59.7	66.8
Aluminum and wood (a)	75	413,938	5,519	20.2	12.0
Material unspecified	75	728,771	9,717	20.2	21.2
<u>Total power cruisers</u>	372	3,445,659	9,263	100.0	100.0

(a) Combined for confidentiality. Principally aluminum

Source: Tariff Board analysis of imports

Pleasure Craft Imports for the Period March 1971 to February 1972 (inclusive) -
by Region and by Type of Craft.

Type of boats	Atlantic Provinces	Quebec	Ontario	Prairie Provinces	British Columbia	Canada
			'000 dollars			
Canoes & Utility boats	5	60	392	263	122	842
Runabouts:						
outboard	x	103	x	338	233	1,466
inboard/outboard (a)	-	149	693	173	378	1,393
inboard	-	-	22	-	22	44
total	x	252	x	511	632	2,903
Sailboats:						
non-ballasted (b)	x	124	209	x	22	385
ballasted,						
without auxiliary power	x	x	68	x	96	186
ballasted,						
with auxiliary power	30	71	95	-	337	534
unspecified	-	x	12	x	7	39
total	68	215	384	14	463	1,143
Power cruisers	x	598	1,616	x	1,150	3,446
Other boats (c)	43	333	551	45	386	1,358
Total	200	1,459	4,419	861	2,753	9,692

- (a) Includes blanks
- (b) Includes sailboards
- (c) Includes inflatables, unidentified, multihull craft, houseboats, pedal boats, pontoon boats, scooters, etc.

Source: Tariff Board Analysis of Imports

Appendix A-11

Imports of Pleasure Craft by Country of Origin and by Type of Craft
For the Period March 1971 to February 1972 (inclusive)

All Pleasure Craft:	Number	Value \$	Unit Value \$	As per cent of total	
				Number	Value
United Kingdom	1,787	438,527	245	2.9	4.5
Austria	1	995	995	*	*
Denmark	24	46,860	1,953	*	0.5
Finland	2	30,160	15,080	*	0.3
France	2,078	217,630	105	3.3	2.2
West Germany	156	57,605	369	0.2	0.6
Italy	11,979	101,811	8	19.2	1.1
Netherlands	3	32,070	10,690	*	0.3
Norway	28	62,172	2,220	*	0.6
Spain	11	537	49	*	*
Sweden	22	147,225	6,692	*	1.5
Switzerland	5,687	51,858	9	9.1	0.5
Poland	130	2,608	20	0.2	*
Hong Kong	24	136,259	5,677	*	1.4
Singapore	1	27,603	27,603	*	0.3
Japan	24,721	348,065	14	39.6	3.6
Taiwan	5,087	62,095	12	8.1	0.6
Australia	1	602	602	*	*
New Zealand	1	2,624	2,624	*	*
United States	10,753	7,924,647	737	17.2	81.8
Total	62,496	9,691,953	155	100.0	100.0

	<u>Number</u>	<u>Value</u> \$	<u>Unit Value</u> \$	<u>As per cent of total</u>	
				<u>Number</u>	<u>Value</u>
<u>Canoes:</u>					
United States	373	60,197	161	85.9	93.8
Other	61	3,947	65	14.1	6.2
Total	434	64,144	148	100.0	100.0
<u>Utility Boats:</u>					
United States	4,584	770,760	168	99.4	99.1
Other	27	7,061	262	0.6	0.9
Total	4,611	777,821	169	100.0	100.0
<u>Runabouts, Outboard:</u>					
United States	1,822	1,451,149	796	99.2	99.0
Other	14	14,768	1,055	0.8	1.0
Total	1,836	1,465,917	798	100.0	100.0
<u>Runabouts, Inboard/Outboard:</u> (b)					
United States	623	1,385,635	2,224	99.7	99.5
United Kingdom	2	7,442	3,721	0.3	0.5
Total	625	1,393,077	2,229	100.0	100.0
<u>Runabouts, Inboard:</u>					
United States	6	37,297	6,216	85.7	85.6
United Kingdom	1	6,294	6,294	14.3	14.4
Total	7	43,591	6,227	100.0	100.0

	<u>Number</u>	<u>Value</u> \$	<u>Unit Value</u> \$	<u>As per cent of total</u>	
				<u>Number</u>	<u>Value</u>
<u>Runabouts, Total:</u>					
United States	2,451	2,874,081	1,173	99.3	99.0
Other (a)	17	28,504	1,677	0.7	1.0
Total	2,468	2,902,585	1,176	100.0	100.0
<u>Sailboats, non-ballasted (c)</u>					
United States	1,637	204,898	125	82.6	53.2
United Kingdom	267	127,563	478	13.5	33.1
Other (d)	78	52,450	672	3.9	13.6
Total	1,982	384,911	194	100.0	100.0

Appendix A-11 (Cont'd)

	Number	Value \$	Unit Value \$	As per cent of total	
				Number	Value
Sailboats, ballasted,					
without auxiliary power:					
United States	45	116,318	2,585	68.2	62.5
United Kingdom	18	45,763	2,542	27.3	24.6
Sweden	3	24,132	8,044	4.5	13.0
Total	66	186,213	2,821	100.0	100.0
Sailboats, ballasted,					
with auxiliary power:					
United States	44	323,251	7,347	69.8	60.6
United Kingdom	5	40,829	8,166	7.9	7.7
Sweden	6	45,857	7,643	9.5	8.6
Other	8	123,768	15,471	12.7	23.2
Total	63	533,705	8,472	100.0	100.0
Sailboats, unspecified:					
United States	10	3,333	333	21.3	8.6
United Kingdom	29	17,306	597	61.7	44.8
Other	8	17,953	2,244	17.0	46.5
Total	47	38,592	821	100.0	100.0
Sailboats, Total: (c)					
United States	1,736	647,800	373	80.4	56.7
United Kingdom	319	231,461	726	14.8	20.2
Sweden	10	75,983	7,598	0.5	6.6
France	82	73,156	892	3.8	6.4
Other	11	115,021	10,456	0.5	10.1
Total	2,158	1,143,421	530	100.0	100.0

Appendix A-11 (Cont'd)

	Number	Value \$	Unit Value \$	As per cent of total	
				Number	Value
Power Cruisers:					
United States	346	3,143,021	9,084	93.0	91.2
United Kingdom	3	13,775	4,592	0.8	0.4
Hong Kong	3	126,646	42,215	0.8	3.7
Sweden	10	65,195	6,520	2.7	1.9
Other	10	97,022	9,702	2.7	2.8
Total	372	3,445,659	9,263	100.0	100.0
Inflatable Boats:					
United States	127	3,785	30	0.3	0.5
United Kingdom	1,328	113,594	86	2.7	15.3
Japan	24,675	342,093	14	49.8	46.0
Taiwan	5,086	44,357	9	10.3	6.0
Switzerland	5,686	51,015	9	11.5	6.9
Italy	11,972	88,071	7	24.2	11.9
France	476	72,640	153	1.0	9.8
Other	203	27,405	135	0.4	3.7
Total	49,553	742,960	15	100.0	100.0
Other Boats:					
United States	209	194,702	932	36.2	66.7
United Kingdom	18	29,967	1,665	3.1	10.3
Other	350	67,098	192	60.7	23.0
Total	577	291,767	506	100.0	100.0

	<u>Number</u>	<u>Value</u> \$	<u>Unit Value</u> \$	<u>As per cent of total</u>	
				<u>Number</u>	<u>Value</u>
<u>Other Boats, Total, (including inflatables:)</u>					
United States	336	198,487	591	0.7	19.2
United Kingdom	1,346	143,561	107	2.7	13.9
Japan	24,675	342,093	14	49.2	33.1
Taiwan	5,086	44,357	9	10.1	4.3
Switzerland	5,687	51,858	9	11.3	5.0
Italy	11,978	100,786	8	23.9	9.7
France	697	84,497	121	1.4	8.2
Other	325	69,088	213	0.6	6.7
Total	50,130	1,034,727	21	100.0	100.0
<u>Pleasure Boats, Unidentified:</u>					
United States	927	230,301	248	39.9	71.2
United Kingdom	32	15,847	495	1.4	4.9
France	1,299	59,977	46	55.9	18.5
Other	65	17,471	269	2.8	5.4
Total	2,323	323,596	139	100.0	100.0

- (a) Principally U.K.
- (b) Includes blanks
- (c) Includes sailboards
- (d) Principally France

Source: Tariff Board Analysis of Imports

Appendix A-12

Imports of Pleasure Craft and Parts, Ancillary Equipment and Accessories by Tariff Item, 1966 -1974 (Tariff items specifically referred to the Board)

Pleasure Craft:

<u>Year</u>	<u>Tariff Item</u> <u>44002-1</u>	<u>Tariff Item</u> <u>44003-1</u> - \$'000 -	<u>Tariff Item</u> <u>44004-1</u>
1966	-	15,811	-
1967	-	3,528	-
1968	1,021	15,514	1,043
1969	2,078	3,696	2,163
1970	1,612	3,506	2,085
1971	3,117	4,735	3,271
1972	3,413	7,077	5,882
1973	3,572	9,313	12,361
1974	13,361	14,400	24,283

Parts, Ancillary Equipment and Accessories for Pleasure Craft:

<u>Year</u>	<u>Tariff Item</u> <u>44019-1</u>	<u>Tariff Item</u> <u>44022-1</u> - \$'000 -	<u>Tariff Item</u> <u>44025-1</u>	<u>Tariff Item</u> <u>44028-1</u>
1966	3,031	33,290	11,951	435
1967	5,831	36,951	14,354	728
1968	4,286	45,436	13,321	576
1969	5,038	45,754	13,457	478
1970	1,876	36,506	14,633	493
1971	7,944	33,373	16,225	465
1972	6,317	50,365	29,798	616
1973	9,513	62,964	30,312	683
1974	28,264	74,043	42,346	894

Source: Derived by Tariff Board from imports by tariff item,
Statistics Canada

Appendix A-13

Exports under Commodity Class 591-58^(a)Pleasure and Sporting Craft, Self-propelled, by Country of Destination
1960-1974

<u>Year</u>	<u>Number</u>	<u>Value</u> \$	<u>Unit Value</u> \$
<u>Total</u>			
1960	54	301,860	5,590.00
1961	149	821,187	5,511.32
1962	80	653,645	8,170.56
1963	96	915,496	9,536.42
1964	209	1,447,373	6,925.23
1965	94	1,223,013	13,010.78
1966	86	878,598	10,216.26
1967	61	1,050,256	17,217.31
1968	119	2,242,598	18,845.36
1969	2,506	5,520,307	2,202.84
1970	556	4,865,365	8,750.66
1971	208	4,158,153	19,991.12
1972	191	5,125,718	26,836.22
1973	304	6,176,040	20,315.92
1974	231	5,722,803	24,774.04

Total British Preferential

1960	3	57,650	19,216.67
1961	9	35,372	3,930.22
1962	3	17,145	5,715.00
1963	1	2,325	2,325.00
1964	42	82,685	1,968.69
1965	4	112,380	28,095.00
1966	2	16,623	8,311.50
1967	-	-	-
1968	3	49,802	16,600.67
1969	10	359,340	35,934.00
1970	37	134,268	3,628.86
1971	4	29,000	7,250.00
1972	3	78,000	26,000.00
1973	15	306,059	20,403.93
1974	2	127,000	63,500.00

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(Cont'd)

<u>Year</u>	<u>Number</u>	<u>Value</u> \$	<u>Unit Value</u> \$
<u>Total Most Favoured Nation</u>			
1960	51	244,210	4,788.43
1961	140	785,815	5,612.96
1962	77	636,497	8,266.19
1963	95	913,171	9,612.33
1964	167	1,364,688	8,171.78
1965	90	1,110,633	12,340.37
1966	84	861,975	10,261.61
1967	61	1,050,256	17,217.31
1968	116	2,192,796	18,903.41
1969	2,496	5,160,967	2,067.70
1970	519	4,731,097	9,115.79
1971	204	4,129,153	20,240.95
1972	188	5,047,718	26,849.56
1973	289	5,869,981	20,311.35
1974	229	5,595,803	24,435.82

United Kingdom

1960	-	-	-
1961	2	14,993	7,496.50
1962	2	16,000	8,000.00
1963	-	-	-
1964	5	38,302	7,660.40
1965	1	7,745	7,745.00
1966	1	4,500	4,500.00
1967	-	-	-
1968	2	11,802	5,901.00
1969	6	23,619	3,936.50
1970	9	28,018	3,113.11
1971	2	8,000	4,000.00
1972	2	32,000	16,000.00
1973	3	81,000	27,000.00
1974	-	-	-

France

1960-62	-	-	-
1963	3	88,908	29,636.00
1964	26	31,408	1,208.00
1965	1	1,250	1,250.00
1966-68	-	-	-
1969	1	700	700.00
1970	2	1,000	500.00
1971	-	-	-
1972	-	-	-
1973	1	53,000	53,000.00
1974	1	117,000	117,000.00

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(Concl'd)

<u>Year</u>	<u>Number</u>	<u>Value</u> \$	<u>Unit Value</u> \$
<u>United States of America</u>			
1960	49	236,210	4,820.61
1961	140	785,815	5,612.96
1962	75	557,768	7,436.91
1963	79	735,652	9,312.05
1964	118	1,181,925	10,016.31
1965	87	1,026,186	11,795.24
19-6	83	853,775	10,286.45
1967	59	1,039,256	17,614.51
1968	113	1,870,611	16,554.08
1969	2,480	4,870,624	1,963.96
1970	460	4,653,948	10,117.28
1971	195	3,923,153	20,118.73
1972	180	4,790,718	26,615.10
1973	276	5,376,898	19,481.51
1974	221	5,230,803	23,668.79
<u>Other Countries</u>			
1960	4	15,650	3,912.50
1961	7	20,379	2,911.29
1962	3	79,877	26,625.67
1963	14	90,936	6,495.43
1964	60	195,798	3,263.30
1965	5	187,832	37,566.40
1966	2	20,323	10,161.50
1967	2	11,000	5,500.00
1968	4	360,185	90,046.25
1969	19	625,364	32,913.89
1970	85	182,399	2,145.87
1971	11	227,000	20,636.36
1972	9	303,000	33,666.66
1973	24	665,142	27,714.25
1974	9	375,000	41,666.67

(a) Prior to 1971 was class 590-15. Prior to 1961 was included in class 9390 "Gasoline launches and pleasure yachts"; includes re-exports.

Source: Statistics Canada, Cat. nos. 65-004 and 65-202

Appendix A-14

Exports under Commodity Class 591-63^(a)
Sailing Craft, by Country of Destination, 1973-1974

<u>Year</u>	<u>Number</u>	<u>Value</u> \$	<u>Unit Value</u> \$
<u>Total</u>			
1973	4,698	14,952	3,182.63
1974	4,912	16,138	3,285.42
<u>Total British Preferential</u>			
1973	205	239	1,165.85
1974	139	344	2,474.82
<u>Total Most Favoured Nation</u>			
1973	4,493	14,713	3,274.65
1974	4,773	15,794	3,309.03
<u>United States of America</u>			
1973	4,460	14,488	3,248.43
1974	4,615	15,074	3,266.31
<u>Other Countries</u>			
1973	238	464	1,949.58
1974	297	1,064	3,582.49

(a) Prior to 1973 was included in class 591-69 "Pleasure and sporting craft, n.e.s.", includes re-exports

Source: Statistics Canada cat. no. 65-004

Appendix A-15

Exports under Commodity Class 591-69^(a)Pleasure and Sporting Craft, n.e.s., by Country of Destination
1960-1974

<u>Year</u>	<u>Number</u>	<u>Value</u> \$	<u>Unit Value</u> \$
<u>Total</u>			
1960	..	1,014,165	..
1961	901	441,700	490.23
1962	1,241	341,377	275.08
1963	1,158	723,962	625.18
1964	1,702	1,075,508	631.91
1965	1,722	1,723,385	1,000.80
1966	3,044	2,599,513	853.98
1967	4,530	3,417,799	754.48
1968	6,819	5,149,488	755.17
1969	5,886	5,399,931	917.42
1970	4,517	6,047,070	1,338.74
1971	7,920	8,124,443	1,025.81
1972	11,682	12,110,175	1,036.65
1973	12,409	2,167,446	174.67
1974	8,391	1,804,875	215.10

Total British Preferential

1960	..	41,470	..
1961	42	14,891	354.55
1962	260	62,290	239.58
1963	82	30,945	377.38
1964	80	37,723	471.54
1965	36	10,065	279.58
1966	58	32,847	566.33
1967	33	50,924	1,543.15
1968	29	47,614	1,641.86
1969	25	127,950	5,118.00
1970	48	342,669	7,138.94
1971	33	31,000	939.39
1972	58	124,566	2,147.69
1973	14	4,845	346.07
1974	16	7,000	437.50

Appendix A-15 (Cont'd)

<u>Year</u>	<u>Number</u>	<u>Value</u> \$	<u>Unit Value</u> \$
<u>Total Most Favoured Nation</u>			
1960	..	973,295	..
1961	859	426,809	496.87
1962	981	279,087	284.49
1963	1,076	693,017	644.07
1964	1,622	1,037,785	639.82
1965	1,686	1,713,320	1,016.20
1966	2,986	2,566,666	859.57
1967	4,497	3,366,875	748.69
1968	6,790	5,101,874	751.38
1969	5,861	5,271,981	899.50
1970	4,469	5,704,401	1,276.44
1971	7,887	8,093,443	1,026.18
1972	11,624	11,985,609	1,031.11
1973	12,395	2,162,601	174.47
1974	8,375	1,797,875	214.67

United Kingdom

1960	..	22,084	..
1961	26	9,176	352.92
1962	205	53,529	261.12
1963	78	27,163	348.24
1964	48	14,518	302.46
1965	17	2,906	170.94
1966	15	4,891	326.07
1967	14	15,262	1,090.14
1968	13	2,713,773	208,751.77
1969	12	29,311	2,442.58
1970	14	40,873	2,919.50
1971	11	18,000	1,636.36
1972	8	47,566	5,945.75
1973	7	1,731	247.29
1974	3	2,000	666.67

Japan

1960	..	215	..
1961	-	-	-
1962	-	-	-
1963	-	-	-
1964	1	4,785	4,785.00
1965	1	138	138.00
1966	3	162	54.00
1967	-	-	-
1968	-	-	-
1969	1	122	122.00
1970	2	3,840	1,920.00
1971	-	-	-
1972	3	11,100	3,700.00
1973	-	-	-
1974	-	-	-

Appendix A-15 (Cont'd)

<u>Year</u>	<u>Number</u>	<u>Value</u> \$	<u>Unit Value</u> \$
<u>Australia</u>			
1960	..	1,689	..
1961	-	-	-
1962	-	-	-
1963	-	-	-
1964	6	1,742	290.33
1965	-	-	-
1966	1	2,820	2,820.00
1967	10	2,090	209.00
1968	17	2,370	139.41
1969	3	658	219.33
1970	1	400	400.00
1971	1	5,000	5,000.00
1972	1	..	..
1973	1	801	801.00
1974	4	3,000	750.00
<u>Bahamas</u>			
1960	..	2,789	..
1961	-	-	-
1962	11	1,997	181.55
1963	1	1,910	1,910.00
1964	1	860	860.00
1965	-	-	-
1966	4	1,554	388.50
1967	3	31,454	10,484.67
1968	2	30,105	15,052.50
1969	2	12,702	6,351.00
1970	20	34,522	1,726.10
1971	-	-	-
1972	6	28,000	4,666.67
1973	-	-	-
1974	1	*	..
<u>Jamaica</u>			
1960	..	5,704	..
1961	13	5,263	404.85
1962	3	637	212.33
1963	1	1,024	1,024.00
1964	-	-	-
1965	2	375	187.50
1966	8	4,172	521.50
1967	-	-	-
1968	-	-	-
1969	-	-	-
1970	1	226	226.00
1971	17	2,000	117.65
1972	12	3,000	250.00
1973	-	-	-
1974	4	1,000	250.00

Appendix A-15 (Cont'd)

<u>Year</u>	<u>Number</u>	<u>Value</u> \$	<u>Unit Value</u> \$
<u>Leeward & Windward Islands</u>			
1960	..	572	..
1961	-	-	-
1962	1	1,167	1,167.00
1963	-	-	-
1964	4	3,610	902.50
1965	3	1,495	498.33
1966	13	4,611	354.69
1967	-	-	-
1968	-	-	-
1969	3	83,400	27,800.00
1970	-	-	-
1971	-	-	-
1972	7	1,000	142.86
1973	5	500	100.00
1974	-	-	-
<u>Barbados</u>			
1960	..	147	..
1961	-	-	-
1962	-	-	-
1963	-	-	-
1964	1	195	195.00
1965	1	723	723.00
1966	9	1,980	220.00
1967	1	1,234	1,234.00
1968	-	-	-
1969	2	990	495.00
1970	6	2,686	447.67
1971	1	1,000	1,000.00
1972	1	..	..
1973	-	-	-
1974	3	1,000	333.33
<u>St Pierre and Miquelon</u>			
1960	..	4,859	..
1961	-	-	-
1962	-	-	-
1963	-	-	-
1964	2	855	427.50
1965	1	454	454.00
1966	2	515	257.50
1967	17	4,209	247.59
1968	18	19,051	1,058.39
1969	3	904	301.33
1970	4	3,519	879.75
1971	4	2,000	500.00
1972	4	3,000	750.00
1973	2	850	425.00
1974	2	8,000	4,000.00

Appendix A-15 (Cont'd)

<u>Year</u>	<u>Number</u>	<u>Value</u> \$	<u>Unit Value</u> \$
<u>Bermuda</u>			
1960	..	1,327	..
1961	-	-	-
1962	-	-	-
1963	-	-	-
1964	10	845	84.50
1965	7	2,822	403.14
1966	6	12,098	2,016.33
1967	2	280	140.00
1968	4	7,655	1,913.75
1969	2	889	444.50
1970	3	12,150	4,050.00
1971	3	5,000	1,666.67
1972	5	30,000	6,000.00
1973	-	-	-
1974	-	-	-

United States of America

1960	..	950,506	..
1961	853	424,138	497.23
1962	917	260,657	284.25
1963	952	628,751	660.45
1964	1,525	1,002,564	657.42
1965	1,666	1,705,293	1,023.59
1966	2,972	2,558,062	860.72
1967	4,461	3,337,793	748.22
1968	6,741	5,056,605	750.13
1969	5,842	5,259,275	900.25
1970	4,438	5,646,833	1,272.38
1971	7,866	8,081,568	1,027.41
1972	11,490	11,858,509	1,032.07
1973	12,309	2,121,166	172.33
1974	8,136	1,721,875	211.64

Other Countries

1960	..	24,873	..
1961	9	3,123	347.00
1962	104	23,390	224.90
1963	126	65,114	516.78
1964	105	46,284	440.80
1965	24	9,179	382.46
1966	11	8,648	786.18
1967	23	25,477	1,107.70
1968	35	306,913	8,768.94
1969	16	11,680	730.00
1970	28	302,021	10,786.46
1971	17	10,875	639.71
1972	153	128,000	836.60
1973	85	42,398	498.80
1974	238	68,000	285.71

(a) Prior to 1971 was class 590-17. Prior to 1961 was class 9380
"Boats, canoes and parts, n.o.p., includes re-exports

Source: Statistics Canada cat. nos. 65-004 and 65-002

Imports of Recreational Durables, 1971

Tariff Item	Description	Rates of Duty (a)			All Countries			M.F.N. Countries		
		B.P. %	M.F.N. %	General %	Total Imports \$'000	Duty- able Imports \$'000	Duty Col- lected \$'000	Duty as % of Dutiable Value %	Duty- able Imports \$'000	Duty Col- lected \$'000
19400-1	Playing cards (per pack)	5¢	7¢	8¢	371	371	74	19.9	354	73
42700-1	Outboard motors	2½	15	35	1,036	1,036	145	14.0	952	143
43836-1	Motor cycles, 250 c.c. or less	Free	12½	30	13,363	12,804	1,599	12.5	12,799	1,598
43839-1	Motor cycles, over 250 c.c.	Free	12½	30	15,416	11,189	1,406	12.6	11,120	1,397
43868-1	Snowmobiles	Free	Free	-	73,752	13	2	15.8	-	-
43900-1	Bicycles and tricycles	20	25	30	12,608	12,608	3,014	23.9	10,619	2,653
43910-1	Cars, trailers, & mobile homes	10	17½	30	39,754	39,728	6,934	17.5	39,406	6,901
43925-1	Animal-drawn pleasure carts	Free	10	15	48	46	5	10.0	46	5
43930-1	Children's carriages & sleds	15	17½	35	847	847	146	17.2	750	132
44034-1	Fishing tackle	Free	17½	30	6,188	5,620	982	17.5	5,619	982
44034-2	Fish hooks		10		200	194	19	10.0	194	19
44100-1	Guns & rifles, not toys	10	20	30	11,913	7,561	1,450	19.2	6,971	1,390
44125-1	Guns & rifles not made in Canada	Free	7½	30	6,950	6,161	462	7.5	6,146	461
44533-1	Radio & television apparatus	Free	15	25	188,680	169,992	25,757	15.2	169,845	25,732
44534-1	Radio & television sets with record players	10	15	25	5,871	5,871	948	16.1	5,217	785
44535-1	Phonographs	10	15	25	4,328	4,328	647	15.0	4,291	643
45000-1	Roller skates	15	15	30	77	77	12	15.0	65	10
45005-1	Ice skates	12½	12½	30	145	145	18	12.5	13	1
46205-1	Cameras, made in Canada	7½	15	30	2,962	2,953	410	13.9	2,508	376
46210-1	Cameras, not made in Canada	5	15	30	12,465	12,460	1,877	15.1	11,499	1,726

Appendix A-16 (Cont'd)

Tariff Item	Description	Rates of Duty (a)			All Countries			M.F.N. Countries		
		B.P. %	M.F.N. %	General %	Total Imports \$'000	Duty as		Countries		
						Duty-able Imports \$'000	Duty Col-lected \$'000	Duty-able Imports \$'000	Duty Col-lected \$'000	
										Duty % of Dutiable Value
46300-1	Projectors, still picture	Free	15 (c)	25	5,454	4,745	712	15.0	4,737	711
46305-1	Projectors, motion picture	Free	15 (c)	35	5,214	4,908	735	15.0	4,889	732
46310-1	Projectors, still, with sound	10	15 (c)	30	112	112	17	15.5	110	17
46315-1	Screens, motion & still picture	Free	10	35	1,605	1,597	161	10.1	1,597	161
50603-1	Hockey sticks	5	5	25	583	583	29	5.0	556	28
51100-1	Golf clubs, racquets, baseball bats & balls of all kinds for sports & games	15	20 (d)	35	8,256	8,256	1,564	18.9	6,518	1,301
51105-1	Cricket bats, balls, gloves & leg guards	Free	20 (d)	35	41	18	4	19.4	16	4
51110-1	Skis	20	20 (b) (d)	35	7,190	7,190	1,438	20.0	7,186	1,437
51115-1	Ski fittings	15	20 (b) (d)	35	2,201	2,201	441	20.0	2,201	441
51120-1	Ski poles	17½	17½	35	291	291	51	17.6	291	51
51800-1	Bagatelle & other game tables & boards	17½	20 (d)	35	2,850	2,850	559	19.6	2,621	523
51805-1	Billiard tables, cues, balls, etc.	17½	20 (d)	35	935	935	183	19.6	851	170
59705-1	Pianofortes & organs	17½	20	30	1,829	1,829	362	19.8	1,731	345
59707-1	Electric organs	17½	17½	30	6,686	6,686	1,169	17.5	6,672	1,167
59710-1	Pipe organs	15	15	30	20	20	3	15.0	8	1
59725-1	Musical instruments, all kinds	15 (b)	15 (b)	30	5,463	5,456	823	15.1	5,437	821
59725-2	Mouth organs	7½	7½	25	149	149	11	7.7	141	10
59745-1	Accordions	Free	Free	25	832	1	*	7.4	1	*

Appendix A-16 (Concl'd)

Tariff Item	Description	Rates of Duty (a)		All Countries			M.F.N. Countries		
		M.F.N.		Total Imports \$'000	Duti-able Imports \$'000	Duty Col-lected \$'000	Duty % of Dutiable Value %	Duti-able Imports \$'000	Duty Col-lected \$'000
		%							
		B.P.	General						
		%	%						
59755-1	Autoharps, violins, chimes, bassoons, flutes, piccolos & other musical instruments	Free	30	2,776	28	6	23.2	13	2
59815-1	Bagpipes	Free	25	37	-	-	-	-	-
61200-1	Harness & saddlery, incl. horse boots	15 (b)	20 (b)	2,097	2,092	408	19.5	1,890	379
61205-1	Saddles, English type	10	20	214	214	32	15.1	118	23
69200-1	Coins & medals for collections	Free	Free	1,026	-	-	-	-	-
69310-1	Violins over 100 years old	Free	Free	79	-	-	-	-	-
Total of above items				452,914	344,165	54,615	15.9	335,998	53,351
MFN rate of duty								15.9	
MFN Total, new budget rates applied (see footnotes c & d)								335,998	49,998
MFN rate of duty								14.9	

- (a) All rates are ad valorem unless otherwise specified.
 (b) GATT rate.
 (c) MFN rate lowered to 10% by budget of February 19, 1973.
 (d) MFN rate lowered to 15% by budget of February 19, 1973.

Source: Derived by Tariff Board from Imports by Tariff Item, Statistics Canada

1972 Pleasure Craft Trucking Rates, Canada

Distance Commodity Rates

Rates in Cents per Mile per Boat

Minimum charge will be the charge for 100 miles

<u>Length in Feet</u>	<u>Rate - Per Mile</u>
23' to 33'	\$.90
34' to 35' .....	.92
36' .....	.95
37' .....	.97
38'	1.00
39'	1.02
40'	1.05
41' to 42'	1.10
43' to 44'	1.27
45' to 46'	1.37
47' to 48'	1.47
49' to 50'	1.62
51' to 60'	2.03
Double load (e.g. 2-25' boats)	1.14

Service not offered on shipments over 60' 6".

Above prices do not include charges for thruways, bridge
tolls, obtaining permits, wide load permits and water
launching.
See Item 60.

1972 Distance Commodity Rates, Canada
 Rates in Cents per Mile per Boat (See Note)
 Minimum Charge Will be the Charge for 100 Miles

Overall Length	1st 100 Miles					Over 100 Miles				
	Minimum Truckload No. of Boats					Minimum Truckload No. of Boats				
	1	2	3	4	5	1	2	3	4	5
Over 23 ft., not over 24 ft. 6 in. ...	90	52	39	30	...	71	37	28	21	...
Over 24 ft. 6 in., not over 25 ft. 6 in. ...	92	53	40	32	...	72	38	29	22	...
Over 25 ft. 6 in., not over 26 ft. 6 in.	94	55	41	33	...	74	39	30	23	...
Over 26 ft. 6 in., not over 27 ft. 6 in.	100	59	43	35	...	74	40	31	24	...
Over 27 ft. 6 in., not over 28 ft. 6 in.	104	62	44	36	...	74	43	32	25	...
Over 28 ft. 6 in., not over 29 ft. 6 in.	106	64	45	37	...	74	44	33	26	...
Over 29 ft. 6 in., not over 30 ft. 6 in.	108	67	46	38	...	74	44	35	28	...
Over 30 ft. 6 in., not over 31 ft. 6 in.	109	69	47	39	...	74	45	36	29	...
Over 31 ft. 6 in., not over 32 ft. 6 in.	112	71	48	40	...	75	46	37	30	...
Over 32 ft. 6 in., not over 33 ft. 6 in.	114	72	...	...	...	76	49	...	...	...
Over 33 ft. 6 in., not over 34 ft. 6 in.	115	...	...	...	...	79	...	...	...	...
Over 34 ft. 6 in., not over 35 ft. 6 in.	118	...	...	...	...	83	...	...	...	...
Over 35 ft. 6 in., not over 36 ft. 6 in.	120	...	...	...	...	85	...	...	...	...
Over 36 ft. 6 in., not over 37 ft. 6 in.	121	...	...	...	...	87	...	...	...	...
Over 37 ft. 6 in., not over 38 ft. 6 in.	122	...	...	...	...	93	...	...	...	...
Over 38 ft. 6 in., not over 39 ft. 6 in.	125	...	...	...	...	100	...	...	...	...
Over 39 ft. 6 in., not over 40 ft. 6 in.	129	...	...	...	...	107	...	...	...	...
Over 40 ft. 6 in., not over 42 ft. 6 in.	136	...	...	...	...	120	...	...	...	...

Overall Length	1st 100 Miles					Over 100 Miles				
	Minimum Truckload No. of Boats					Minimum Truckload No. of Boats				
	1	2	3	4	5	1	2	3	4	5
Over 42 ft. 6 in., not over 44 ft. 6 in.	169	...	...	...	...	140	...	...	...	...
Over 44 ft. 6 in., not over 46 ft. 6 in.	183	...	...	...	...	154	...	...	...	...
Over 46 ft. 6 in., not over 48 ft. 6 in.	196	...	...	...	...	174	...	...	...	...
Over 48 ft. 6 in., not over 50 ft. 6 in.	209	...	...	...	...	186	...	...	...	...
Over 50 ft. 6 in., not over 60 ft. 6 in.	263	...	...	...	...	233	...	...	...	...
Over 60 ft. 6 in.	381	...	...	...	...	317	...	...	...	...

NOTE: Rates and charges are cumulative. For example, charges on a ship-
ment of a single 24 ft. cruiser for a distance of 400 miles would
be computed as follows:

1st 100 miles at 90¢	\$ 90.00
Balance of 300 miles at 71¢	<u>213.00</u>
	\$ 303.00

All shipments to United States payable in U.S. funds.

Source: Private submissions

Appendix B-1

Establishments Manufacturing Pleasure Craft in Canada, 1971 ^(a)

<u>Name</u>	<u>Location</u>	<u>Product Description</u> ^(b)
<u>Newfoundland</u>		
Vokey, Samuel	Trinity	5
<u>Nova Scotia</u>		
Allen, Lawrence W.	Lunenburg	2
Atlantic Shipbuilding Co. Ltd.	Lunenburg	5
Bluewater Boats	Lake Charlotte	5
D'Eon, Camille	Pubnico	5
Ellis, C.G.	Digby	5
Gray's Brenton, Boatyard Ltd.	Bald Rock	2,5
Heisler, Clarence R.	Mahone Bay	5
Mariotts Cove Yacht Builder	Chester Basin	4
McVay Fiberglass Yachts Limited	Mahone Bay	3
Paceship Yachts Limited	Mahone Bay	3
Ross, R.D. Enterprises Ltd.	Clark's Harbour	3,4
Smith and Rhuland Ltd.	Lunenburg	3
Stevens, Gerald L., Marine Ltd.	Chester	5
Stevens, Murray D.	Lunenburg	5
Thériault, A.F., & Son Ltd.	Meteghan River	5
Wyman, Charles, Limited	Shelburne	2
<u>New Brunswick</u>		
Chestnut Canoe Company Limited	Fredericton	1,4
Savoie, Gérard	Pigeon Hill	4
<u>Quebec</u>		
Alloy Manufacturing Ltd.	Lachine	6
Aqua fon Inc.	Joliette	2
Aqua-Loop Inc.	Longueuil	9
Aucoin et Bernard Enrg.	Fatima	1
Bateaux St-Maurice Inc.	Shawinigan	1,2,4
Big Chief Manufacturing Reg'd	Village des Hurons	1
Cadorette, Moïse, Inc.	St-Jean des Piles	1,2,4
Canadian Boat Manufacturing Ltd.	Princeville	1,2,3,4,5
Canots Cadorette Canoes Inc. (Les)	Grand'Mère	1,2,4
Canots Mattawin Enrg.	St-Michel des Saints	1,2
Canots Norwest Canoes, Enrg. (Les)	Lesage	1,2
Canots Stalek Enrg.	St-Alexis-des-Monts	1
Canots Tremblay Ltée. (Les)	St-Félicien	1
Dansereau, Noël	Contrecoeur	1,2
Deritec Inc.	Chicoutimi	3
Desmarais, E.	Verchères	2
Eskay Plastics Ltd.	Fabreville	7
Faber & Cie.	Loretteville	1,2

Appendix B-1 (Cont'd)

<u>Name</u>	<u>Location</u>	<u>Product Description</u> ^(b)
Fibre de Verre du Québec Inc. (Les)	St-Lambert	1
Foster et Brochu Inc.	Grand'Mère Est.	1,2
GrosLouis, G. et C. Enrg.	Village des Hurons	1
Langevin, Julien	Verchères	2
Les Bateaux Sunray	Victoriaville	2,4
Les Canots Mastigouche Enrg.	St-Charles de Mandeville	10
Les Fibres de Verre Acton Inc.	Acton Vale	2
Les Industries Challenger Yachts Ltd.	Pointe Claire	3
M.G.R. Plastics Reg'd	Covey Hill	9
Nautica Enrg.	Chambly	3
Olympic Yachts Ltd.	Ville St-Laurent	3
Paris et Gauvin	Shawinigan-Sud	10
Performance Sailcraft Inc.	Dorval	3
Picard, Louis A.D.	Loretteville	1
Pigeon Marine et Sports Inc.	Montreal	2,4
Produits Aqua Sport Cda. Ltée.	Fabreville	1,2,4,7
Sea-Cycle Products Inc.	Ville de Laval	7
Tanzer Industries Ltd.	Dorion	3
Thundercraft Industries	Lachute	4
Val-Craft Industries Inc.	Valleyfield	1,2,4

Ontario

Abbott Boats Limited	Sarnia	3
Aluminum Goods Division of Alcan Canada Products Ltd.	Toronto	1,2,3,4
Ancom Marine Limited	Burlington	3
Aquarian Boats & Products	Caledon East	4
Bayfield Boat Yard	Bayfield	1,2,3
Belleville Marine Yards Ltd.	Belleville	3
Bruckmann Manufacturing Ltd.	Oakville	3
Buckley's Sheet Metal Mfg. Ltd.	Scarborough	1
Canam Reinforced Plastics Ltd.	Willowdale	3
Canbar Marine Company, Division of Canada Barrels and Kegs Ltd.	Waterloo	2,4
Chrysler Canada Outboard Ltd.	Barrie	4
Clarkcraft Industries Ltd.	St. Catharines	1,3
Cliff Craft Ltd.	Gananoque	4,5
Coleman Craft Ltd. (The)	Galt	1
Custom Boat Mfg. Co.	Kitchener	1,2
Dalex Mfg. Limited	Downsview	4
Fabricated Steel Products (Windsor) Ltd.	Windsor	2
Femat Custom Fibreglass Mfg.	Shelburne	1,9
Georgian Steel Boats Ltd.	Stoney Creek	5,6
Gerstman Boat Building	West Hill	3
Giesler and Sons Ltd.	Powassan	4
Grampian Marine Limited	Oakville	3
Greavette Boat Corporation Ltd.	Gravenhurst	4

Appendix B-1 (Cont'd)

<u>Name</u>	<u>Location</u>	<u>Product Description</u> ^(b)
Grew Limited	Penetanguishene	4
Harber Mfg. Limited	Fort Erie	1,2,3
Hinterhoeller Ltd.	Niagara-on-the-Lake	3
Hughes Boat Works Ltd.	Huron Park	3
Humber Boats Ltd.	Weston	4
Hunter Boats Ltd.	Orillia	4
J. Craft Marine	West Hill	4
Kaschper Racing Shells Ltd.	Lucan	9
Komoka Boats	Komoka	10
Langford Canoe Company	Baysville	1
Lansing Hydrocraft	Cookstown	10
Mason Boats Ltd.	Smiths Falls	5
McGruer and Clark Ltd.	Owen Sound	3
McIntosh, Ray, Boats	Picton	2,3,4
Mohawk Canoe Manufacturing Ltd.	Tillsonburg	1
Munro Boats	London	2,4
North American Fibreglass Molding Ltd.	London	3
Northern Yacht Limited	Ajax	3
Northland Canoes	Huntsville	1
Ollerenshaw, John	Petrolia	7
Ontario Yachts Ltd.	Oakville	3
Ouyang Boat Works Ltd.	Whitby	5
Pamco Boat Products Ltd.	Strathroy	2,4
Pinetree Enterprises	Orillia	1
Rice Lake Boat Works	Gores Landing	1,4
Richardson, Cliff, Boats Ltd.	Meaford	2,3,4,5
Ron Crafts	Peterborough	1,4
Schwill Yachts Inc.	Odessa	3
Scott Plastics	New Liskeard	1
Seafarer Boats of Canada	Willowdale	10
Shepherd Boats Ltd.	Niagara-on-the-Lake	5
Sirocco Boatworks & Fibreglass Ltd.	Oshawa	3
Skene Boats Limited	Ottawa	3
Sport Ray Ltd.	Orangeville	4
Sports Pal Enterprises Ltd.	Calander	1
Superior Sailboats Ltd.	Port McNicoll	3
Surf Master Boats	Thornhill	2,4
Tamco Limited	Windsor	9
Taylor, J.J., & Sons Ltd.	Toronto	3
Topps Hardware Ltd. (Stelcraft Boats)	Hamilton	10
Vandestad and McGruer Ltd.	Owen Sound	3
Voyageur Canoe Co.	Millbrook	1
Waterhouse and May Ltd.	Ajax	3
Watersports Industries Ltd.	North Bay	1
Whitby Boat Works Ltd.	Ajax	3
Wilker Boats Ltd.	Hyde Park	4,5
Winner Products of Cda. Ltd.	Milverton	4
Yachtwise Limited	Bowmanville	10

Appendix B-1 (Cont'd)

<u>Name</u>	<u>Location</u>	<u>Product Description</u> (b)
<u>Manitoba</u>		
Alwest Marine Division of Cooper Boats Ltd.	Winnipeg	6
Anchor Industries	Brandon	4
Aroline Boat Co. Ltd. (The)	St-Boniface	4
Bluewater Industries Ltd.	Winnipeg	1,4
Conley Manufacturing Ltd.	Beauséjour	10
Fiberlex Plastics Ltd.	Rivers	3
International Fiberglass Ltd.	Winnipeg	1,2
Kildonan Canoe Ltd.	Winnipeg	1,4
Lakester Craft Ltd.	Winnipeg	4
Lake Winnipeg Boat Works	Gimli	4
Parkland Plastics Ltd.	Dauphin	1
Tri-Star Industries Ltd.	Winkler	1,4
Western Sailcraft Ltd.	Carman	3
<u>Saskatchewan</u>		
Mid-Canada Marine Ltd.	Prince Albert	3
<u>Alberta</u>		
F.R.P. Fabrications (Western) Ltd.	Calgary	4
Glasstrong of Canada Ltd.	High River	4
Glenmore Boats Ltd.	Calgary	8
Novak Marine Co.	Calgary	4
Small Craft of Canada Ltd.	Calgary	3
<u>British Columbia</u>		
B.C. Fibre Glass Co. Ltd.	Richmond	2,5
Beaver Glass Hulls Ltd.	Richmond	3
Calgan Marine Ltd.	North Vancouver	3
California Fiberglass Ltd.	Richmond	4
Canadian Fiberform Ltd.	Kelowna	4,5
Canoe Cove Marine Ltd.	Sidney	5
Cape Lazo Boat Yard Ltd.	Courtenay	1
Champion Boats Ltd.	Victoria	10
Davidson Manufacturing Co. Ltd.	Vancouver	1,2,3,4
Enno's Custom Boats Ltd.	North Vancouver	5
Frontiersman Fibreglass Products Ltd.	New Westminster	1,2
Greenwood Canoe Company	Richmond	10
Grenfell Yachts Ltd.	North Vancouver	5
Hourston Glascraft Ltd.	North Vancouver	4
I.C.L. Engineering	Richmond	3,5
K. and C. Thermoglass Ltd.	Richmond	4
Kencraft Plastics Ltd.	Port Coquitlam	4
Maple Bay Marina and Shipyards Ltd.	Duncan	4
Marlin Glascraft Ltd.	Surrey	4
North Coast Marine and Engineering Co. Ltd.	North Surrey	10

Appendix B-1 (Concl'd)

<u>Name</u>	<u>Location</u>	<u>Product Description</u> (b)
Ohman Boat Works Ltd.	New Westminster	5
Pacific Marine Enterprises	Richmond	5
Penwood Products	Penticton	3
Philbrook's Shipyards Ltd.	Sidney	5
Port Hammond Boat Yard Ltd.	Maple Ridge	5
Sangstercraft Boat Works Ltd.	Vancouver	4
Shuley Industries Ltd.	Vancouver	8
Solvey Plastics	Chilliwack	1,2
Spencer Boats Ltd.	Richmond	3
Stoltz Boat Works and Glasscraft	Steveston	2,3
Sunliner Boats Ltd.	Aldergrove	4
Surfercraft Boats Ltd.	Vancouver	4
Thames Boat Works	Victoria	5
Ultra Enterprises Ltd.	Vancouver	2,4
Vito Steel Boat and Barge Const. Co. Ltd.	Delta	4,9
West Bay Boat Builders Ltd.	Ladner	5
Wright, C.K. Marine	North Vancouver	3

- (a) This listing of pleasure craft manufacturers is based on information provided to the Tariff Board from a number of sources believed to be reliable — not all of the 184 establishments enumerated above were included in the surveys of the industry presented in this report.
- (b) Products are coded as follows: Canoes (1); utility boats (2); sailboats (3); runabouts (4); power cruisers (5); houseboats (6); pedal boats (7); catamarans (8); other boats (9); unidentified pleasure craft (10).

Appendix B-2

Specializing Establishments Manufacturing Pleasure Craft in Canada, 1971

Establishments Manufacturing Canoes only in Canada, 1971:

Quebec

Aucoin et Bernard Enrg.	Fatima
Big Chief Manufacturing Reg'd	Village des Hurons
Canots Stalek Enrg.	St-Alexis-des-Monts
Canots Tremblay Ltée (Les)	St-Félicien
Fibres de Verre du Québec Inc. (Les)	St-Lambert
GrosLouis, G. et C. Enrg.	Village des Hurons
Picard, Louis A.D.	Loretteville

Ontario

Buckley's Sheet Metal Mfg. Ltd.	Scarborough
Coleman Craft Ltd. (The)	Galt
Langford Canoe Company	Baysville
Mohawk Canoe Manufacturing Ltd.	Tillsonburg
Northland Canoes	Huntsville
Pinetree Enterprises	Orillia
Scott Plastics	New Liskeard
Sports Pal Enterprises Ltd.	Callander
Voyageur Canoe Co.	Millbrook
Watersports Industries Ltd.	North Bay

Manitoba

Parkland Plastics Ltd.	Dauphin
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British Columbia

Cape Lazo Boat Yard Ltd.	Courtenay
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Establishments Manufacturing Utility Boats only in Canada 1971:

Nova Scotia

Allen, Lawrence W.	Lunenburg
Wyman, Charles, Limited	Shelburne

Quebec

Aquafon Inc.	Joliette
Desmarais, E.	Verchères
Langevin, Julien	Verchères
Les Fibres de Verre Acton Inc.	Acton Vale

Ontario

Fabricated Steel Products (Windsor) Ont.	Windsor
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Establishments Manufacturing Runabouts only in Canada, 1971:

Nova Scotia

Mariotts Cove Yacht Builder

Chester Basin

New Brunswick

Savoie, Gérard

Pigeon Hill

Quebec

Thundercraft Industries

Lachute

Ontario

Aquarian Boats & Products
 Chrysler Canada Outboard Ltd.
 Dalex Mfg. Limited
 Giesler and Sons Limited
 Greavette Boat Corporation Ltd.
 Grew, Limited
 Humber Boats Ltd.
 Hunter Boats Ltd.
 J. Craft Marine
 Sport Ray Ltd.
 Winner Products of Cda. Ltd.

Caledon East
 Barrie
 Downsview
 Powassan
 Gravenhurst
 Penetanguishene
 Weston
 Orillia
 West Hill
 Orangeville
 Milverton

Manitoba

Anchor Industries
 Aroline Boat Co. Ltd. (The)
 Lakester Craft Ltd.
 Lake Winnipeg Boat Works

Brandon
 St-Boniface
 Winnipeg
 Gimli

Alberta

F.R.P. Fabrications (Western) Ltd.
 Glasstrong of Canada Ltd.
 Novak Marine Co.

Calgary
 High River
 Calgary

British Columbia

California Fiberglass Ltd.
 Hourston Glascraft Ltd.
 K. and C. Thermoglass Ltd.
 Kencraft Plastics Ltd.
 Maple Bay Marina and Shipyards Ltd.
 Marlin Glascraft Ltd.
 Sangstercraft Boat Works Ltd.
 Sunliner Boats Ltd.
 Surfercraft Boats Ltd.

Richmond
 North Vancouver
 Richmond
 Port Coquitlam
 Duncan
 Surrey
 Vancouver
 Aldergrove
 Vancouver

Appendix B-2 (Cont'd)

Establishments Manufacturing Sailboats only in Canada, 1971:

Nova Scotia

McVay Fiberglass Yachts Limited
 Paceship Yachts Limited
 Smith and Rhuland Ltd.

Mahone Bay
 Mahone Bay
 Lunenburg

Quebec

Deritec Inc.
 Les Industries Challenger Yachts Ltd.
 Nautica Enrg.
 Olympic Yachts Ltd.
 Performance Sailcraft Inc.
 Tanzer Industries Ltd.

Chicoutimi
 Pointe Claire
 Chambly
 Ville St-Laurent
 Dorval
 Dorion

Ontario

Abbott Boats Limited
 Ancom Marine Limited
 Belleville Marine Yards Ltd.
 Bruckmann Manufacturing Ltd.
 Canam Reinforced Plastics Ltd.
 Gerstman Boat Building
 Grampian Marine Limited
 Hinterhoeller Ltd.
 Hughes Boat Works Ltd.
 McGruer and Clark Ltd.
 North American Fibreglass Molding Ltd.
 Northern Yacht Limited
 Ontario Yachts Ltd.
 Schwill Yachts Inc.
 Sirocco Boatworks & Fibreglass Ltd.
 Skene Boats Limited
 Superior Sailboats Ltd.
 Taylor, J.J., & Sons Ltd.
 Vandestad and McGruer Ltd.
 Waterhouse and May Ltd.
 Whitby Boat Works Ltd.

Sarnia
 Burlington
 Belleville
 Oakville
 Willowdale
 West Hill
 Oakville
 Niagara-on-the-Lake
 Huron Park
 Owen Sound
 London
 Ajax
 Oakville
 Odessa
 Oshawa
 Ottawa
 Port McNicoll
 Toronto
 Owen Sound
 Ajax
 Ajax

Manitoba

Fiberlex Plastics Ltd.
 Western Sailcraft Ltd.

Rivers
 Carman

Saskatchewan

Mid-Canada Marine Ltd.

Prince Albert

Alberta

Small Craft of Canada Ltd.

Calgary

Appendix B-2 (Cont'd)

Establishments Manufacturing Sailboats only in Canada, 1971:

British Columbia

Beaver Glass Hulls Ltd.	Richmond
Calgan Marine Ltd.	North Vancouver
Penwood Products	Penticton
Spencer Boats Ltd.	Richmond
Wright, C.K. Marine	North Vancouver

Establishments Manufacturing Power Cruisers only in Canada, 1971:

Newfoundland

Vokey, Samuel	Trinity
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Nova Scotia

Atlantic Shipbuilding Co. Ltd.	Lunenburg
Bluewater Boats	Lake Charlotte
D'Eon Camille	Pubnico
Ellis, C.G.	Digby
Heisler, Clarence R.	Mahone Bay
Stevens, Gerald L., Marine Ltd.	Chester
Stevens, Murray D.	Lunenburg
Thériault, A.F., & Son Ltd.	Meteghan River

Ontario

Mason Boats Ltd.	Smith Falls
Ouyang Boat Works Ltd.	Whitby
Shepherd Boats Ltd.	Niagara-on-the-Lake

British Columbia

Canoe Cove Marine Ltd.	Sidney
Enno's Custom Boats Ltd.	North Vancouver
Grenfell Yachts Ltd.	North Vancouver
Ohman Boat Works Ltd.	New Westminster
Pacific Marine Enterprises	Richmond
Philbrook's Shipyards Ltd.	Sidney
Port Hammond Boat Yard Ltd.	Maple Ridge
Thames Boat Works	Victoria
West Bay Boat Builders Ltd.	Ladner

Establishments Manufacturing Catamarans only in Canada, 1971:

Alberta

Glenmore Boats Ltd.	Calgary
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British Columbia

Shuley Industries Ltd.	Vancouver
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Appendix B-2 (Cont'd)

Establishments Manufacturing Houseboats only in Canada, 1971:

Quebec

Alloy Manufacturing Ltd.	Lachine
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Manitoba

Alwest Marine Division of Cooper Boats Ltd.	Winnipeg
---------------------------------------------	----------

Establishments Manufacturing Pedal Boats only in Canada, 1971:

Quebec

Eskay Plastics Ltd.	Fabreville
Sea-Cycle Products Inc.	Ville de Laval

Ontario

Ollerenshaw, John	Petrolia
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Establishments Manufacturing "Other Boats" only in Canada, 1971:

Quebec

Aqua-Loop Inc.	Longueuil
M.G.R. Plastics Reg'd.	Covey Hill

Ontario

Kaschper Racing Shells Ltd.	Lucan
Tamco Limited	Windsor

Establishments Manufacturing Unidentified Pleasure Craft only in Canada, 1971:

Quebec

Les Canots Mastigouche Enrg. Paris et Gauvin	St-Charles de Mandeville Shawinigan-Sud
-------------------------------------------------	--------------------------------------------

Ontario

Komoka Boats	Komoka
Lansing Hydrocraft	Cookstown
Seafarer Boats of Canada	Willowdale
Topps Hardware Ltd. (Stelcraft Boats)	Hamilton
Yachtwise Limited	Bowmanville

Appendix B-2 (Concl'd)

Establishments Manufacturing Unidentified Pleasure Craft only
in Canada, 1971: (Concl'd)

Manitoba

Conley Manufacturing Ltd.

Beauséjour

British Columbia

Champion Boats Ltd.

Victoria

Greenwood Canoe Company

Richmond

North Coast Marine and Engineering Co. Ltd.

North Surrey

Appendix B-3

A Partial List of Canadian Manufacturers Producing Component Parts.
Ancillary Equipment and Accessories for Commercial and
Pleasure Boats or Vessels

Newfoundland

Barnes, E.F., Ltd., St. John's	Tanks, marine accessories, engines
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Prince Edward Island

Hall & Stavert Ltd., Charlottetown	Marine hardware
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Nova Scotia

Acadia Gas Engines Ltd., Bridgewater	Gas tanks, propellers, bilge pumps, exhaust blowers, running lights, etc.
Atlantic Bridge Co. Ltd., Lunenburg	Marine hardware
Maritime Canvas Converters & Upholstering Ltd., Halifax	Sails
Nelson Bros. Welding Ltd., Dartmouth	Boat trailers
North Sydney Marine Railway Co. Ltd., North Sydney	Marine accessories
Powers Bros., Ltd., Lunenburg	Foghorns and toilets

New Brunswick

Holder, George E., & Sons, Saint-John	Sails
Springer-Penguin Ltd., Scoudouc	Compact refrigerators and marine ice boxes

Quebec

Alleyn, J. Ltd., Quebec	Sails
Beclawat Ltd. Ltée., Pointe Claire	Grab rails, window and door hardware
BOW Plastics Ltd., Montreal	Boat bumpers
Canadian Stone Marine Ltd., Iberville	Small propellers and propeller shafts
Canvas Equipment Ltd., Montreal	Canvas and rope equipment
Gaymor Trailers Ltd., Montreal	Boat-trailers
General Marine Co. Ltd., Montreal	Marine accessories
General Precisions Industries Ltd., Montreal	Radio direction finders, special purpose radio receivers, etc.
Ledoux, V., Steel Products Ltd., St-Hyacinthe	Boat trailers
Lyster Die Casting Ltd., Lyster Station	Furniture hardware, etc.
Merchants Awning Co. Ltd. Montreal	Sails
Montreal Tent & Tarpaulin Co. Ltd., Montreal	Sails
National Pro Industries Ltd., Boucherville	Life vests, etc.
Piper, Hiram L., Co. Ltd., The, Montreal	Navy lamps & lanterns, etc.
Produits Aqua Sport Canada Ltée., Fabreville	Boat trailers

Quebec (Cont'd)

Quebec Ship Riggers & Sail Makers
Inc., Montreal

Ralphs, Frank, Ltd., Montreal

Simmonds Precision Canada Ltd.,
Montreal

Tapatco Industries Ltd., Ayers Cliff

Sail, tarpaulins, etc.

Marine furniture & furnishings

Holding tanks, bilge level
controls

Life saving equipment, etc.

Ontario

Aqua Marine Mfg. Ltd., Toronto

Atkins & Hoyle Ltd., Toronto

Black Clawson-Kennedy Ltd.,
Owen Sound

Brydon Brass Manufacturing Co. Ltd.,
Rexdale

Canbar Products Ltd., Waterloo

Canron Ltd., Mechanical Div., Rexdale

Collben Manufacturing Co. (Div. of
Reform Products Ltd.) Dundas

Daymond Ltd., Rexdale

Doherty Industries Ltd., Toronto

English Plastics Ltd., Brampton

Excell Metalcraft Ltd., Aurora

Fell-Fab Products Ltd., Hamilton

Flight Line Quality Products Ltd.
Campbellford

G.S.W. Trailers Division, Fergus

Jacobs & Thompson Ltd., Weston

Keeble, C., Sail Makers, Belleville

Kelson Plastic Products Ltd., Weston

Kennedy's Specialty Manufacturers,
Erin

Leckie, John Ltd., Don Mills

Mercury Marine Ltd., Mississauga

Miramar Products Designs Ltd.,
Belleville

Monogram Sanitation Products of
Canada Ltd., Burlington

Morch Manufacturing Ltd., Belleville

Muskoka Weavers, Baysville

New Trend Manufacturing Ltd.,
Port Credit

Olsonite Co. Ltd., Windsor

Outboard Marine Corporation of
Canada Ltd., Peterborough

Peerless Plastics Ltd., Windsor

Plastilite Fabricating Ltd., Toronto

Polyurcon Ltd., Burlington

Steering wheels, lamps,
ladders, bowrails, etc.

Marine hardware and pumps

Iron, bronze, stainless steel
castings, propellers

Toilets, windshields

Fibreglass and polyethylene
tanks

General equipment

Dock stands and ladders,
marine rails, etc.

Aluminum mouldings, plastic
parts

Marine accessories and deck
fittings

Plastic tanks and windshields
for boats

Boat windows

Boat covers, etc.

Boat seats, convertible tops

Boat trailers

Water ski belts, adhesives,
glue, etc.

Sails, convertible tops, etc.

Holding tanks

Canvas goods, etc.

Canvas goods

Accessories

Toilets, holding tanks

Chemical recirculating and
fresh water flush toilets

Marine hardware

Convertible tops

Convertible tops & boat seats

Steering wheels, closet seats

Steering systems, fuel tanks

Plastic moulds

Plastic Windshields for boats

Life preserver rings

Ontario (Cont'd)

Randaschl Sails (Canada) Ltd., Toronto	Sails
Sanitation Equipment Ltd., Rexdale	Marine sanitary systems
Sopers Ltd., Hamilton	Boat tops
Standard Tube Canada Ltd., Woodstock	Boat trailers
T.U.L. Safety Equipment Ltd., Hawkesbury	Inflatable marine life jackets
Tamco Ltd., Windsor	Bow thrusters, steering column jackets
Taylor, Tom, Co. Ltd., Toronto	Sails, slings, boat covers, canvas goods, etc.
Toronto Refiners & Smelters Ltd., Toronto	Lead keels
Wilk, K.W. Associates Ltd., Ottawa	Marine telephones, etc.
Wiscot Manufacturing Ltd., Grimsby	Boat trailers
Yacht Equipment Co. (Div. of Ward Byers Ltd.,) Rexdale	Mast, marine fittings

Manitoba

Manitoba Tent & Awning Co., Winnipeg	Sails, tarpaulins
Pre Vue Co. (Canada) Ltd., Winnipeg	Convertible tops, windshields, marine hardware, etc.
Silver Line Manufacturing Co. Ltd. Winnipeg	Boat trailers
Western Sailcraft Ltd., Carman	Alloy Masts, accessories, etc.

Alberta

Edmonton Auto Springs Works Ltd., Edmonton	Boat trailers
McCoy Bros. Ltd., Edmonton	Boat trailers

British Columbia

Aviation Electric Pacific Ltd., Vancouver	Marine automatic hydraulic pilots
Capilano Engineering Co. Ltd. Vancouver	Hydraulic steering and control systems
Coast Coppersmith Ltd., Vancouver	Fuel and water tanks
Coast Engineering Works Ltd., Vancouver	Valves, hull fittings
Easthope Bros., Ltd. Richmond	Marine transmissions, anchor winches, propellers
Hasting Brass Foundry Ltd., Vancouver	Fishing & fire-fighting equipment
Holmes, Fred, Fuel Injection Sales and Service Ltd., Vancouver	Engines, marine heating equipment and instruments
I.C.L. Engineering Ltd., Richmond	Fibreglass tanks, panels, etc.
Industrial Plastics Ltd., Victoria	Plastic windshields for boats
Kobelt, J., Manufacturing Co. Ltd., Vancouver	Marine controls
Lipsett, Edward (Div. of Wheelabrator Corp. of Canada Ltd.) Vancouver	Sails
Marine Electric Ltd., North Vancouver	Electric fixtures, fittings, etc.

British Columbia (Cont'd)

Marine Plastics (1968) Ltd., North Vancouver	Fibreglass panels and skylights
Mustang Sportswear Ltd., Vancouver	Floatation garments
Northern Engine & Equipment Co. Ltd., Vancouver	Control panels
Oliver Industries Ltd., Penticton	Boat Trailers
Olympic Canvas & Rope Ltd., Vancouver	Safety nets, rope ladders, etc.
Osborne Propellers Ltd., Vancouver	Solid and controllable pitch propellers, etc.
Pacific Bronze Co. Ltd., Vancouver	Bushings, castings
Royal City Bedding (1969) Ltd., New Westminster	Boat tops, back to back seats
Smith Bros., Foundry & Machine Works Ltd., Victoria	Marine hardware
Summer Brass Foundry Ltd., Vancouver	Brass castings, propellers
Swann Winches Ltd., Vancouver	Marine winches
Tri Metal Fabricators Ltd., Burnaby	Air conditioning, heating and ventilating accessories, fans and silencers
Western Propeller Ltd., New Westminster	Steel & stainless steel propellers

Source: The list is taken from the 1974 Canadian Trade Index, published by The Canadian Manufacturers' Association. The list does not purport to be a complete list either as regards the manufacturers or the products they manufacture.

Reference No. 149 - Pleasure CraftQUESTIONNAIRE GUIDE

- Item 1. Utility Boats includes all rowboats, skiffs, dories, cartop and open fishing boats of all construction materials; exclude all boats of runabout design normally equipped with windshield, steering wheel and remote motor control accommodation as standard features.
- Item 2. Runabouts include all open powercraft designed for and normally equipped with windshield, steering wheel, and remote motor control accommodation as standard features.
- Item 2A. Runabouts (Outboard) includes all runabouts designed to be powered by one or more outboard motors.
- Item 2B. Runabouts (Inboard) includes all runabouts designed to be powered by other than outboard(s) motors; for example, direct drive inboard engine, inboard/outboard (stern drive engine), jet drive, etc.
- Item 3. Sailboards includes all mono-hull sailcraft of non-ballasted design without internal crew/passenger space; designed to be sat upon rather than in.
- Item 4. Sailboats (non-ballasted) includes all mono-hull sailcraft, with or without provision for auxiliary power, constructed without ballast and usually equipped with a moveable centre-board which should not be considered ballast.
- Item 5. Sailboats (ballasted) includes all mono-hull sailcraft, with or without provision for auxiliary power, and constructed with ballast usually in the form of a fixed keel but also which may be provided by means of a drop keel or internally located dead weight, or a combination.
- Item 6. Power Cruisers includes all craft for "living aboard" and normally equipped with sleeping accommodation for at least two persons, galley and toilet facilities as standard features; to exclude all craft with other than motor(s) or engine(s) as source of power.
Note: Runabouts with a cabin providing only occasional sleeping facilities should be excluded from this category and included under "Runabouts".
- Item 7. Under Other Boats include all craft not otherwise provided for and specify; include all multi-hull craft, houseboats, pedal boats, scooters, etc.
- Item 8. Value of Shipments should be reported for the period requested, together with the quantity shipped, as the net selling values of products in Canadian dollars. The following 6 items should be excluded from value of shipments: returned sales, discounts, sales allowances, sales taxes, charges for outward transportation by common or contract carrier, and payments received for delivery by your own carriers. If the accounting records of your establishment do not provide the value of shipments by the individual commodity category requested, NET of these above 6 items, please report these in total on page 2 as additional information.
- Item 9. For incorporation with other data only available on a calendar year basis you are asked to complete market information for calendar 1971. To answer cost information sections, use your latest completed fiscal year (either 1971 or 1972).

CONFIDENTIAL TO TARIFF BOARDPART A: General Information

Name of Company or Establishment _____

Location of Manufacturing Facilities _____

Type of Organization: (check one)

Individual Ownership ☐ Partnership ☐ Incorporated Company ☐ Other ☐Ownership: (check one) Canadian owned ☐ U.S. owned ☐ Other ☐

% Canadian ownership ____ % U.S. ownership ____ % other ownership ____

For how many years has this establishment been engaged in the production of pleasure craft? _____ years.

Fiscal year used for this survey:

From _____ 19__ to _____ 19__ (See guide item 9)

Corporate affiliations, if applicable:

- Indicate all wholly or partly owned subsidiaries _____
- Indicate parent company if your company is a wholly or partly owned subsidiary of another company _____

If boats are manufactured under license to U.S. licensors:

- What per cent of number of units produced in calendar 1971 would be covered by such licenses? _____
- What per cent of value of shipments in calendar 1971 would be covered by such licenses? _____

Employment:

- What was your peak number of employees (in total) for 1971? _____ (A)
- Of the total employees given in (A) above, how many of these were production and related workers engaged in pleasure craft manufacture _____ (B)
- Of the production employees indicated in (B) above, how many of these would be classified as "skilled" workers? (Estimate this if necessary) _____ (C)

Signature _____ Telephone _____

Name (Please print) _____ Official position _____

Person to be contacted in connection with this survey:

the above ____ or _____

For your convenience a stamped return envelope is enclosed.

PART B: Market Information - ShipmentsPlease indicate your total shipments (domestic and export) for calendar 1971 using the following classifications:

	Units	1971
		Value of Shipments (Do not include sales taxes, outward transportation, sales discounts, sales allowances, or returned sales) (See guide item 8)
Canoes	_____	_____
Utility Boats (See guide item 1)	_____	_____
Runabouts (Outboard - See guide items 2 and 2A) 0 - 14' 11" OAL	_____	_____
15' - 16' 11" OAL	_____	_____
17' OAL and over	_____	_____
Runabouts (Inboard - See guide items 2 and 2B) 0 - 16' 11" OAL	_____	_____

PART B: Shipments (Cont'd)

CONFIDENTIAL TO TARIFF BOARD

	Units	Value of Shipments
17' - 19' 11" OAL	_____	_____
20' OAL and over	_____	_____
Blanks	_____	_____
Sailboards (See guide item 3)	_____	_____
Sailboats (Non-ballasted - See guide item 4)	_____	_____
Sailboats (Ballasted - See guide item 5)	_____	_____
- without auxiliary power	_____	_____
- with auxiliary power	_____	_____
a) 20 - 25' OAL	_____	_____
b) 26 - 30' OAL	_____	_____
c) 31 - 35' OAL	_____	_____
d) 36 - 40' OAL	_____	_____
e) over 40' OAL	_____	_____
Power Cruisers (See guide item 6) less than 25' OAL	_____	_____
25' to 29' 11" OAL	_____	_____
30' and over OAL	_____	_____
Other Boats (See guide item 7)	_____	_____
(Please specify)	_____	_____

If you were not able to exclude transportation charges, sales taxes, returned sales, discounts, or sales allowances from the value of the individual products shown above, please note below, if applicable: (See guide item 8).

Total payments made for outward transportation charged by common or contract carriers	\$ _____
Total payments received for delivery in your own carriers	\$ _____
Total payments of sales taxes	\$ _____
Total amounts of discounts, sales allowances, and returned sales	\$ _____

Domestic Sales - By Type of Construction Material Used

Please classify shipments in Canada for calendar 1971 according to principal construction material used as follows:

<u>Units and Value of Shipments, 1971</u>				
<u>Fibreglass</u>				
<u>Reinforced Wood and</u>				
<u>Aluminum</u>	<u>Plastic</u>	<u>Wood/Canvas</u>	<u>Other</u>	
CANOES - Units	_____	_____	_____	_____
Total Value	_____	_____	_____	_____
UTILITY - Units	_____	_____	_____	_____
Total Value	_____	_____	_____	_____
RUNABOUTS (Outboard)				
0 - 14' 11" OAL Units	_____	_____	_____	_____
Total Value ..	_____	_____	_____	_____
15' - 16' 11" OAL Units	_____	_____	_____	_____
Total Value .	_____	_____	_____	_____
17' OAL and over Units	_____	_____	_____	_____
Total Value ..	_____	_____	_____	_____
RUNABOUTS (Inboard)				
0 - 16' 11" OAL Units	_____	_____	_____	_____
Total Value ..	_____	_____	_____	_____

PART B: Domestic Sales (Cont'd)

CONFIDENTIAL TO TARIFF BOARD

	Fibreglass			
	Reinforced		Wood and	
	Aluminum	Plastic	Wood/Canvas	Other
17' - 19' 11" OAL Units	_____	_____	_____	_____
Total Value ..	_____	_____	_____	_____
20' OAL and over Units	_____	_____	_____	_____
Total Value ..	_____	_____	_____	_____
Blanks - Units	_____	_____	_____	_____
Total Value	_____	_____	_____	_____
SAILBOARDS - Units	_____	_____	_____	_____
Total Value	_____	_____	_____	_____
SAILBOATS (Non-ballasted)				
Units	_____	_____	_____	_____
Total Value	_____	_____	_____	_____
SAILBOATS (Ballasted)				
- without auxiliary power				
Units	_____	_____	_____	_____
Total Value	_____	_____	_____	_____
- with auxiliary power				
a) 20 - 25' OAL Units	_____	_____	_____	_____
Total Value ..	_____	_____	_____	_____
b) 26 - 30' OAL Units	_____	_____	_____	_____
Total Value ..	_____	_____	_____	_____
c) 31 - 35' OAL Units	_____	_____	_____	_____
Total Value ..	_____	_____	_____	_____
d) 36 - 40' OAL Units	_____	_____	_____	_____
Total Value ..	_____	_____	_____	_____
e) Over 40' OAL Units	_____	_____	_____	_____
Total Value ..	_____	_____	_____	_____
POWER CRUISERS				
less than 25' OAL Units	_____	_____	_____	_____
Total Value ..	_____	_____	_____	_____
25' to 29' 11" OAL Units	_____	_____	_____	_____
Total Value ..	_____	_____	_____	_____
30' and over OAL Units	_____	_____	_____	_____
Total Value ..	_____	_____	_____	_____
OTHER BOATS (Please specify)				
Units	_____	_____	_____	_____
Total Value	_____	_____	_____	_____
Additional Comments/Information:				

Distribution of Domestic Shipments by Region

Please indicate shipments in Canada by geographic area for calendar 1971 as follows: (Include in "Atlantic Region" sales made in New Brunswick, Nova Scotia, P.E.I., and Newfoundland. Include as "Prairie Region" Manitoba, Saskatchewan, and Alberta).

	Units and Value of Shipments, 1971				
	Atlantic	Prairie			British
	Region	Quebec	Ontario	Region	Columbia
CANOES - Units	_____	_____	_____	_____	_____
Total Value	_____	_____	_____	_____	_____
UTILITY - Units	_____	_____	_____	_____	_____
Total Value	_____	_____	_____	_____	_____

PART B: Domestic Shipments (Cont'd)	CONFIDENTIAL TO TARIFF BOARD				
	Atlantic Region	Quebec	Ontario	Prairie Region	British Columbia
RUNABOUTS (Outboard)					
0 - 14' 11" OAL Units					
Total Value ..					
15' - 16' 11" OAL Units					
Total Value ..					
17' OAL and over Units					
Total Value ..					
RUNABOUTS (Inboard)					
0 - 16' 11" OAL Units					
Total Value ..					
17' - 19' 11" OAL Units					
Total Value ..					
20' OAL and over Units					
Total Value ..					
Blanks - Units					
Total Value					
SAILBOARDS - Units					
Total Value					
SAILBOATS (Non-ballasted)					
Units					
Total Value					
SAILBOATS (Ballasted)					
- without auxiliary power					
Units					
Total Value					
- with auxiliary power					
a) 20 - 25' OAL Units					
Total Value ..					
b) 26 - 30' OAL Units					
Total Value ..					
c) 31 - 35' OAL Units					
Total Value ..					
d) 36 - 40' OAL Units					
Total Value ..					
e) Over 40' OAL Units					
Total Value ..					
POWER CRUISERS					
less than 25' OAL Units					
Total Value ..					
25' to 29' 11" OAL Units					
Total Value ..					
30' and over OAL Units					
Total Value ..					
OTHER BOATS (Please specify)					
Units					
Total Value					
Additional Comments/Information:					

CONFIDENTIAL TO TARIFF BOARD

PART B: Export Sales

Please indicate, if applicable,

exports using the following classifications for calendar 1971:

	Units and Value of Shipments, 1971							
	Exports to U.S.A.				Other Exports			
	Fibreglass				Fibreglass			
	Aluminum	Reinforced Plastic	Wood and Wood/Canvas	Other	Aluminum	Reinforced Plastic	Wood and Wood/Canvas	Other
CANOES - Units	—	—	—	—	—	—	—	—
Total Value	—	—	—	—	—	—	—	—
UTILITY - Units	—	—	—	—	—	—	—	—
Total Value	—	—	—	—	—	—	—	—
RUNABOUTS (Outboard)								
0 - 14' 11" OAL Units	—	—	—	—	—	—	—	—
Total Value	—	—	—	—	—	—	—	—
15' - 16' 11" OAL Units	—	—	—	—	—	—	—	—
Total Value	—	—	—	—	—	—	—	—
17' OAL and over Units	—	—	—	—	—	—	—	—
Total Value	—	—	—	—	—	—	—	—
RUNABOUTS (Inboard)								
0 - 16' 11" OAL Units	—	—	—	—	—	—	—	—
Total Value	—	—	—	—	—	—	—	—
17' - 19' 11" OAL Units	—	—	—	—	—	—	—	—
Total Value	—	—	—	—	—	—	—	—
20' OAL and over Units	—	—	—	—	—	—	—	—
Total Value	—	—	—	—	—	—	—	—
Blanks - Units	—	—	—	—	—	—	—	—
Total Value	—	—	—	—	—	—	—	—
SAILBOARDS - Units	—	—	—	—	—	—	—	—
Total Value	—	—	—	—	—	—	—	—
SAILBOATS (Non-ballasted)								
Units	—	—	—	—	—	—	—	—
Total Value	—	—	—	—	—	—	—	—

PART B: Export Sales (Cont'd)

Appendix B-4 (Cont'd)
CONFIDENTIAL TO TARIFF BOARD

	Exports to U.S.A.				Other Exports			
	Aluminum	Fibreglass Reinforced Plastic	Wood and Wood/Canvas	Other	Aluminum	Fibreglass Reinforced Plastic	Wood and Wood/Canvas	Other
SAILBOATS (Ballasted)								
- without auxiliary power								
Units								
Total Value								
- with auxiliary power								
a) 20 - 25' OAL Units								
Total Value ...								
b) 26 - 30' OAL Units								
Total Value ...								
c) 31 - 35' OAL Units								
Total Value ...								
d) 36 - 40' OAL Units								
Total Value ...								
e) Over 40' OAL Units								
Total Value ...								
POWER CRUISERS								
less than 25' OAL Units								
Total Value ...								
25' to 29' 11" OAL Units								
Total Value ..								
30' and over OAL Units								
Total Value								
OTHER BOATS (Please specify)								
Units								
Total Value								

Additional Comments/Information: (For example, please describe your experience as an exporter. Have you encountered difficulty in meeting certain regulations of importing countries with regard to licenses, safety specifications, transport permits, etc.)

PART B: Methods of Distribution

CONFIDENTIAL TO TARIFF BOARD

Please indicate below for calendar 1971 for the products you sell, the proportion of your total shipments (export and domestic) made through dealers, distributors, etc.

	Sold Through Distributor		Sold Through Dealer		Sold to Department Stores, Sporting Goods Stores, etc.		Sold Direct	
	Value of Shipments	Usual Mark-ups and Terms of Payment	Value of Shipments	Usual Mark-ups and Terms of Payment	Value of Shipments	Usual Mark-ups and Terms of Payment	Value of Shipments	Usual Mark-ups and Terms of Payment
CANOEES								
UTILITY								
RUNABOUTS (Outboard)								
RUNABOUTS (Inboard)								
SAILBOARDS								
SAILBOATS								
POWER CRUISERS								
OTHER BOATS								

Additional Information/Comments:

(For example, please indicate any special discount arrangements, if applicable)

Appendix B-4 (Cont'd)
CONFIDENTIAL TO TARIFF BOARD

PART C: Cost Information

Please indicate the quantity and cost of your total raw materials acquired in your latest completed fiscal year.

	(1)	(2)	(3) If this item is imported, either by this estab- lishment or by a supplier, please estimate % (of cost shown in Col. 2) imported	(4) Tariff Item Under Which Imported, If Known
<u>Basic Raw Materials</u>	<u>Quantity</u>	<u>Cost</u>		
Fibreglass - mat				
Fibreglass - choppable (for spray-up use)				
Fibreglass -- woven roving, woven cloth				
Resins				
Gel coat, paints, catalysts				
Aluminum - sheet				
Aluminum - coil				
Aluminum - extrusions (or formed)				
Wood				
Brass and bronze				
Stainless steel				
Window glass				
Fastening materials - metal				
Other Raw Materials: (describe)				
Total Raw Materials cost				

Please indicate the component parts you acquired in your latest completed fiscal year:

<u>Components and Accessories</u>				
Engines and engine assembly (assembly includes props, shafts, exhaust, controls, steering, instrumentation)				
Windshields				
Running lights				
Steering wheels				
Padded seats				
Bunk cushions and other upholstery				
Sinks				
Heads				
Stoves				
Refrigerators				
Winches				
Checks and cleats				
Exhaust blowers				

CONFIDENTIAL TO TARIFF BOARD

Total Components and
Accessories cost

Finished Goods	Accounts	
<u>Inventory 1971</u>	<u>Receivable</u>	<u>Sales 1971</u>
(As from your	1971	(Use value of
financial statements)		shipments)

Month	1941	1942	1943
January			
February			
March			
April			
May			
June			
July			
August			
September			
October			
November			
December			

How are your boats held in inventory?	<u>Estimated % of Inventory</u>
Internal storage	_____
External storage	_____
With protective coverings	_____
Other (please describe)	_____

Does the method of storage differ with the seasons of the year?
(Please describe)

The above data is requested to assist the Board in evaluating the seasonal characteristics of boat manufacture in Canada. Are there other seasonal aspects of your business that the Board should be aware of? Please indicate:

Do you design your own craft?

- Please indicate extent of this activity:
hulls _____ superstructure _____
decks _____ other (describe) _____
- Do you employ outside designers _____
- Number of designers employed _____ on a commission basis? _____
- Estimated cost of above design activity per year _____
- Do you build your own plugs and moulds? _____
- Do you produce, wholly or partially, under license? _____
- If yes, does the license entitle you to:
training of personnel _____ licensor's cost experience _____
design blueprints _____ exclusive market rights _____
technical assistance _____ other features: (describe) _____
- (For FRP models) do you purchase moulds from your licensor? _____

What does your license agreement(s) cost you per year and on what basis (fixed annual fee, fixed sum per boat produced, etc.) is this sum determined?

PART C: Cost Information (Cont'd)

CONFIDENTIAL TO TARIFF BOARD

Please estimate for your past three fiscal years your total annual costs for design, tooling, plugs, moulds, royalties, license fees, and research and development.

1971 \$ _____ 1970 \$ _____ 1969 \$ _____

For the categories shown below, how many model changes have you made over the past 3 years?

Canoes	_____	Sailboards	_____
Utility	_____	Sailboats	_____
Runabouts (Outboard)	_____	Power Cruisers	_____
Runabouts (Inboard)	_____		

PART D: Per Unit Production and Transport Costs

For each of the applicable classes of pleasure craft listed below, would you please complete Part D for your most popular model. If you produce a class in two or more materials, would you please complete a separate cost form for each? (Additional forms for Part D, Per Unit Production and Transport Costs, are enclosed for your convenience). If you install engines in the models you produce, please provide costs with engines and assembly included.

Classes: Canoe _____
 Utility _____
 Runabout (outboard) _____
 Runabout (inboard) _____
 Sailboards _____
 Sailboats (non-ballasted) _____
 Sailboats (ballasted) _____
 Power Cruisers _____

Class or model: (Please attach company brochures and price lists if available)

Principal material of construction _____

Actual dimensions: _____ Centreline length _____
 Beam _____ Maximum depth of hull _____ Approximate weight _____
 (If sailboat) - Displacement (lbs.) _____ Waterline length _____

RAW MATERIALS (Attach additional page if necessary)	Price (per lb., gal., etc.)	Quantity Used for This Boat (in lbs., gals., etc.)	Cost
Fibreglass - mat			
1 oz. per sq. ft.	_____	_____	_____
1½ oz. per sq. ft.	_____	_____	_____
Fabmat	_____	_____	_____
Other (specify) (weights) _____	_____	_____	_____
Fibreglass - Woven roving:			
15 oz. per sq. yd.	_____	_____	_____
24 oz. per sq. yd.	_____	_____	_____
Other (specify) (weights) _____	_____	_____	_____
Fibreglass - Woven cloth:			
1 oz. per sq. ft.	_____	_____	_____

PART D: Per Unit Production and
Transport Costs (Cont'd)

CONFIDENTIAL TO TARIFF BOARD

<u>RAW MATERIALS (Cont'd)</u> (Attach additional page if necessary) Other (specify) (weights) _____	<u>Price</u> (per lb., gal., etc.)	<u>Quantity Used</u> <u>for This Boat</u> (in lbs., gals., etc.)	<u>Cost</u>
Fibreglass - Choppable (for spray-up use)			
Resin			
Gel coat			
Paints			
Catalysts			
Aluminum - sheet			
Aluminum - coil			
Aluminum - extrusions (or formed)			
Wood: Teak			
Other (specify) _____			
Brass and Bronze			
Stainless steel			
Window glass			
Fastening materials - metal			
Other (specify) _____			
TOTAL RAW MATERIALS COST OF THIS BOAT			\$ _____
LABOUR COST - THIS BOAT			
Direct - factory (no. of manhours for this boat _____)			\$ _____

OVERHEAD

(The Board primarily requires
"Total Factory Overhead" and
"Total Overhead Assigned to
this Model of Boat". If you
can complete for this boat
model the additional factory
overhead breakdown shown,
this information would be of
considerable value).

Variable Overhead - Factory:

Indirect labour _____
Operating supplies _____
Other: _____

Fixed or Semi-fixed
Overhead - Factory:

Employee fringe benefits _____
Taxes - municipal _____
Depreciation - moulds _____
Depreciation - mach. & equip. _____
Utilities _____
Other: _____

PART D: Per Unit Production and
Transport Costs (Cont'd)

CONFIDENTIAL TO TARIFF BOARD

Total Factory Overhead
Selling Expense
General and Admin. expense
Other:

TOTAL OVERHEAD ASSIGNED TO THIS
MODEL OF BOAT (Exclude any
profit contribution or return
on equity items)

\$ _____

ENGINE AND ENGINE ASSEMBLY
(if applicable to this model)

Engine (specify type _____)
Engine assembly (assembly includes
props, shafts, exhaust, controls,
steering, instrumentation)
TOTAL COST OF ENGINE AND
ENGINE ASSEMBLY

\$ _____

ACCESSORIES

	Please check if included as standard in Dealer Cost		Cost of This Item (it is assumed that installation labour costs are included under labour given above)	Please check if available as optional extra		Cost of optional item to purchaser (including installation labour)
	Yes	No		Yes	No	
Windshield	<input type="checkbox"/>	<input type="checkbox"/>	\$ _____	<input type="checkbox"/>	<input type="checkbox"/>	\$ _____
Running lights	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
Steering wheel	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
Padded seats/ Upholstery	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
Convertible top	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
Bunks	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
Sink	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
Head	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
Stoves	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
Refrigerator	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
Winches	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
Pulpits	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
Masts	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
Gas tank - built in	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
Bilge pump	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
Carpets	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
Exhaust blowers	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
Other (please specify) _____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	_____

TOTAL COST OF ACCESSORIES
ON STANDARD MODEL

\$ _____

TOTAL COST OF THIS MODEL
IF SOLD AS STANDARD (Total cost as shown
should add to sum of raw materials, labour,
overhead and accessories given above)

\$ _____

Appendix B-4 (Concl'd)
CONFIDENTIAL TO TARIFF BOARD

PART D: Per Unit Production and
Transport Costs (Cont'd)

What is selling price of this model?

\$ _____	\$ _____	\$ _____	Sales Tax: \$ _____
To Distributor	To Dealer	Suggested	(12% of \$ _____)
		Retail Price	

How many units of this boat model do you produce annually? _____

(For FRP Models only): If you designed and built moulds for this boat model, please estimate the following where applicable:

Design Costs: deck _____ hull _____ Total _____

Costs of Plug: deck _____ hull _____ Total _____

Cost of Master Mould: deck _____ hull _____ Total _____

Cost of Replacement Mould: deck _____ hull _____ Total _____

Cost of other jigs, patterns, etc. (describe) _____

If you produce this model under license or otherwise purchased plugs or moulds, please indicate:

Purchase Cost of Mould \$ _____ Purchase cost of plug \$ _____

Annual royalty or license fees, if applicable to this model of boat:
\$ _____

For the model of boat specified above, if a reasonably comparable model is produced in the U.S., please indicate if known: retail price in U.S. \$ _____ (indicate region of sale); retail price in Canada if imported \$ _____ (indicate region of sale); what U.S. company produces this comparable model? _____

What are freight costs of this model when shipped to the following destinations from place of manufacture? (The freight costs shown below should be the prorated cost to ship this model on the basis of a full truck or railcar shipment).

Freight Costs

	<u>To Halifax</u>	<u>To Toronto</u>	<u>To Winnipeg</u>	<u>To Vancouver</u>
By Rail:	\$ _____	\$ _____	\$ _____	\$ _____
By Truck:	\$ _____	\$ _____	\$ _____	\$ _____

If known, could you fill out the questions below about other transport costs.

	<u>Loading</u>	<u>Unloading</u>	<u>Cost of Packing</u>	<u>Other Costs</u>
	<u>Costs</u>	<u>Costs</u>	<u>Materials,</u>	<u>(describe)</u>
			<u>Cradles, etc.</u>	
By Rail:	\$ _____	\$ _____	\$ _____	\$ _____
By Truck:	\$ _____	\$ _____	\$ _____	\$ _____

For short hauls (500 miles and less) how do you usually ship your boats? _____

For short hauls what do you estimate your total transport costs per loaded mile to be? \$ _____

For long hauls (over 500 miles) how do you usually ship your boats? _____

For long hauls what do you estimate your total transport costs per loaded mile to be? \$ _____

Statistical Note Comparing the Results of the Board's
Industry Survey and Statistics Canada Data on the
Number of Establishments and the Value of Shipments.

The majority of Canadian establishments manufacturing pleasure craft are classified by Statistics Canada as part of the "Boatbuilding and Repair" industry. The latter falls within Major Group 15 - Transportation Equipment Industries. Boatbuilding and Repair bears Standard Industrial Classification No. 328 (S.I.C. 328).

In 1971, Statistics Canada classified 250 establishments to S.I.C. 328. Many of these did not construct pleasure craft; they were engaged in repair activities only, or in the construction and repair of commercial boats. The Board's list of 184 establishments engaged in pleasure craft production in 1971 (see Appendix B.1), included those pleasure craft manufacturers classified to S.I.C. 328 as well as to other Standard Industrial Classification (i.e. to other manufacturing activities, primarily metal fabricating), and a few pleasure craft manufacturers known to the Special Vehicles Division of the Department of Industry, Trade and Commerce.

The total value of "shipments of goods of own manufacture" under S.I.C. 328, in 1971, was reported as \$50,930,000, broken down as follows:

	\$
Pleasure Craft Manufacture	\$37,611,000;
Commercial Craft Construction	3,329,000;
Marine Accessories and Other Products	4,175,000;
Repairs and Services	3,691,000;
Other	<u>2,124,000;</u>
 TOTAL	 \$50,930,000.

Of the 184 establishments known to the Board as engaged in pleasure craft construction in 1971, shipments data were received from 137 in response to the Board's industry survey questionnaire (see Appendix B.4). From these 137 respondents, 1971 shipments were calculated as \$44,319,314. This total is somewhat higher than the total of \$41,687,000 recorded by Statistics Canada for "All Industries", even though the lower figure includes pleasure craft shipments reported to Statistics Canada under S.I.C. 328 (shown at \$37,611,000 above) as well as pleasure craft shipped by establishments classified elsewhere (e.g. metal fabricating establishments) in the Standard Industrial Classification. The Board's survey of the pleasure craft industry was more complete in that it included certain establishments classified by Statistics Canada to "Merchandising and Services" which, for example, include marinas where pleasure craft are produced.

Even the Board's survey of pleasure craft production represents an undercount of actual shipments in as much as 47 known pleasure craft manufacturers did not submit data. However, the amount of this undercount is not believed large as the non-reporting establishments apparently consisted of smaller enterprises.

Explanatory Note to Table 5.1

In preparing Table 5.1, the total given for imports (\$10,294,000) was based on Trade of Canada statistics for the 12 months in calendar year 1971. In the Board's analysis of imports, however, a somewhat lesser figure for imports was surveyed (\$9.7 million). To account for a possible undercount of some \$600,000 in the Tariff Board's import study, the \$9.7 million figure was prorated upwards to agree to the recorded Trade of Canada total used. This procedure might result in some estimative error. The Board's import analysis, furthermore, was based on the 12-month period from March 1971 - February 1972 (inclusive); Original import documents are not maintained for more than 12 months, and a survey of calendar year 1971 pleasure boat imports was not possible. The breakdown of imports, resulting from the Board's survey of the March 1971 to February 1972 period, was assumed to be the same as that occurring in calendar year 1971.

The breakdowns shown for exports in Table 5.1 are also subject to a similar error due to prorating procedures used. While the Board staff was able to account for exports totalling \$10,952,000 (according to the industry survey), the recorded Trade of Canada total used in Table 5.1 (\$12,283,000) was higher. As done with the import data, the breakdowns obtained in the sample study of exports were also prorated upwards to agree with the higher Trade of Canada total.

A further source of possible estimative error in Table 5.1 might occur in the different reporting periods used in deriving domestic shipments data. While Table 5.1 pertains as much as possible to the market in calendar year 1971, a significant portion of domestic shipments data was obtained from companies reporting per their individual fiscal year period.

Appendix C-1

TARIFF HISTORY OF TARIFF ITEMS SPECIFICALLY REFERRED TO THE BOARDTariff items 44002-1, 44003-1 and 44004-1 (formerly 440a and 590)November 30, 1906 - Tariff item 590

"590

"Vessels, dredges, scows, yachts, boats and other water-borne craft, built outside of Canada, of any material, destined for use or service in Canadian waters (not including registered vessels entitled to engage in the coasting trade, nor vessels in transit between Canada and any place outside thereof), n.o.p.: - on the fair market value of the hull, rigging, machinery, boilers, furniture and appurtenances thereof, on arrival in Canada

<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
15 p.c.	25 p.c.	25 p.c.

"Provided that regulations may be prescribed by the Minister of Customs for exemption from further duty after the duty specified in this item is once paid."

May 2, 1930 - Tariff item 440a

"440a

"Vessels, dredges, scows, yachts, boats and other water borne craft, built outside of Canada, of any material, destined for use or service in Canadian waters (not including registered vessels, entitled to engage in the coasting trade, nor vessels in transit between Canada and any place outside thereof) n.o.p.; on the fair market value of the hull, rigging, machinery, boilers, furniture, and appurtenances thereof, on arrival in Canada

15 p.c.	25 p.c.	25 p.c.
---------	---------	---------

"Provided that regulations may be prescribed by the Minister for exemption from further duty after the duty specified in this item is once paid."

June 30, 1956 - GATT

"Ex 440a

"Boats, open, including sail boats, skiffs and canoes, but not including those with inboard motors or for use with inboard motors."

20. p.c.

Appendix C-1 (Cont'd)

August 23, 1965

Tariff item re-numbered 44003-1, extract numbered as 44003-2.

January 1, 1968 - Tariff items 44002-1, 44003-1 and 44004-1

"Vessels, dredges, scows, yachts and other water borne craft, built outside of Canada, of any material, destined for use or service in Canadian waters (not including registered vessels, entitled to engage in the coasting trade, nor vessels in transit between Canada and any place outside thereof) n.o.p.; on the fair market value of the hull, rigging, machinery, boilers, furniture, and appurtenances thereof, on arrival in Canada:

44002-1

"Other than the following

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	
January 1, 1968	15 p.c.	25 p.c.	25 p.c.	
<u>July 1, 1974 - Amendment to the Customs Tariff</u>				
	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
	15 p.c.	25 p.c.	25 p.c.	15 p.c.

44003-1

"Boats, open, including sail boats, skiffs and canoes, but not including those with inboard motors or for use with inboard motors.

January 1, 1968	15 p.c.	19½ p.c.	25 p.c.	
January 1, 1969	15 p.c.	19 p.c.	25 p.c.	
June 4, 1969	15 p.c.	17½ p.c.	25 p.c.	
<u>July 1, 1974 - Amendment to the Customs Tariff</u>				
	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
	15 p.c.	17½ p.c.	25 p.c.	11½ p.c.

44004-1

"Boats, open, including sail boats, with inboard motors or for use with inboard motors; yachts and pleasure boats, not exceeding 30 feet in length overall

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	
January 1, 1968	15 p.c.	23½ p.c.	25 p.c.	
January 1, 1969	15 p.c.	22 p.c.	25 p.c.	
June 4, 1969	15 p.c.	17½ p.c.	25 p.c.	

Appendix C-1 (Cont'd)

July 1, 1974 - Amendment to the Customs Tariff

<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
15 p.c.	17½ p.c.	25 p.c.	11½ p.c.

Tariff item 44019-1 (formerly 440f and 470)November 30, 1906 - Tariff item 470

"470

"Iron or steel masts, or parts thereof, and iron or steel beams, angles, sheets, plates, knees and cable chain, for wooden, iron, steel or composite ships and vessels; and iron, steel or brass manufactures which at the time of their importation are of a class or kind not manufactured in Canada, when imported for use in the construction or equipment of ships or vessels, under regulations prescribed by the Minister of Customs

<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
Free	Free	Free"

May 2, 1930 - Tariff item 440f

"440f

"Iron or steel masts, or parts thereof; iron or steel angles, beams, knees, plates and sheets; cable chain; all the foregoing for ships and vessels, under regulations prescribed by the Minister

Free	Free	Free"
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August 23, 1965 - re-numbered as tariff item 44019-1July 1, 1974 - Amendment to the Customs Tariff

<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
Free	Free	Free	Free"

Appendix C-1 (Cont'd)

Tariff item 44022-1 (formerly 440g(1) and 440gMay 2, 1930 - Tariff item 440g

"440g

"Manufactures of iron, brass or other metal, of a class or kind not made in Canada, for use exclusively in the construction or equipment of ships or vessels, under regulations prescribed by the Minister

<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
Free	Free	Free

Prior to May 2, 1930, these goods were classified under tariff item 470 - see history of tariff item 44019-1.

January 1, 1939 - Canada-United States Trade Agreement

"Ex 440g

"Diesel and semi-diesel engines, of a class or kind not made in Canada, and complete parts thereof, for use exclusively in the construction or equipment of ships or vessels

Free"

June 6, 1950 - tariff item 440g re-numbered 440g(1); the extract became item 440g(2).

August 23, 1965 - tariff item 440g(1) re-numbered 44022-1.July 1, 1974 - Amendment to the Customs Tariff

<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
Free	Free	Free	Free"

Tariff item 44025-1 (formerly 440g(2)June 6, 1950

"440g(2)

"Diesel and semi-diesel engines, of a class or kind not made in Canada, and complete parts thereof, for use exclusively in the construction or equipment of ships or vessels

<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
Free	Free	Free

Prior to June 6, 1950, these goods were classified under tariff item 440g and the extract thereof

Appendix C-1 (Concl'd)

August 23, 1965 - re-numbered 44025-1

July 1, 1974 - Amendment to the Customs Tariff

<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
Free	Free	Free	Free"

Tariff item 44028-1 (formerly 369 and 440h)

November 30, 1906

"369

"Chronometers and compasses for ships

Free	Free	Free"
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March 2, 1929

"369

"Chronometers and compasses and parts thereof, including cards therefor, of a class or kind not made in Canada, for ships or aircraft

Free	Free	Free"
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Prior to May 2, 1929, parts of chronometers and compasses, and cards therefor, were dutiable under tariff item 470 if meeting its wording (see history of tariff item 44019-1); otherwise they were usually dutiable as manufactures of the component material of chief value.

May 2, 1930 - item re-numbered as 440h.

August 22, 1965 - item re-numbered as 44028-1

July 1, 1974 - Amendment to the Customs Tariff

<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>	<u>G.P.T.</u>
Free	Free	Free	Free"

Source: Derived by Tariff Board from the Canadian Custom Tariff.

TEMPORARY ENTRY OF PLEASURE CRAFT
OF NON-RESIDENTS

The regulations contained herein are established by Order in Council P.C. 1963-1191, August 14, 1963, pursuant to section 273(c) of the Customs Act.

1. These Regulations may be cited as the Non-Residents' Pleasure Craft Regulations.

2. In these Regulations,

(a) "collector" means the Collector of Customs at the port or place intended, or any person lawfully deputed, appointed or authorized to do the duty of collector thereat;

(b) "non-resident" means a person who makes his home and is ordinarily present in a place outside of Canada; and

(c) "pleasure craft" includes any aircraft or vessel used for health or pleasure purposes but does not include an aircraft or a vessel operated in the business of carrying passengers or goods for compensation.

3. A pleasure craft owned or operated by a non-resident may be temporarily imported into Canada free of Customs duty and taxes under a permit issued by a collector.

4. A collector may issue a permit described in section 3 for a period not exceeding twelve months.

5. The Deputy Minister of National Revenue for Customs and Excise may direct that a permit described in section 3 be renewed for such further period and upon such terms and conditions as he deems expedient.

6. Where a pleasure craft imported into Canada pursuant to these Regulations is

(a) used by a resident of Canada;

(b) sold or otherwise disposed of to a resident of Canada;

(c) used for the transport of persons or goods for hire or reward or the transport of goods for sale; or

(d) not exported from Canada within the period in respect of which the permit was issued or renewed,

the pleasure craft shall be deemed to have been unlawfully imported into Canada and is liable to seizure and forfeiture in the manner set out in the Customs Act.

GENERAL INFORMATION

Advance Notice of Arrival - Aircraft

1. Prior to departure from a foreign airport, the owner or pilot of the aircraft or other responsible person shall give advance notice of date and approximate time of arrival by means of telephone, telegraph or mail. Advance notice of arrival, however, shall not be required where the first point of landing in Canada is an airport at which the "Communications - Operations Plan" of Customs flight notification of aircraft from the United States into Canada is in effect. The names of such airports are published by the Civil Aeronautics Administration of the United States and by the Ministry of Transport.

Reporting at Customs

2.(1) The first landing of a pleasure craft arriving in Canada from a foreign country shall be made at a Customs port or in the case of a pleasure aircraft, at an airport designated as a Customs Airport. On arrival, the operator of the craft shall immediately report to Customs and complete all necessary documentation. Where, due to stress of weather or other unforeseen emergency, a pleasure craft lands at a place which is not a Customs port, the operator shall report the circumstances to the nearest Collector of Customs and Excise or the Royal Canadian Mounted Police. This procedure also applies in the case of pleasure aircraft landing at an airport without advance notice being given.

(2) Where a combined inward/outward report has been filed by a non-resident further reporting at Customs will not be necessary either prior to or at time of departure unless articles were documented on a temporary permit at time of arrival in Canada or unless other goods which require documentary control are being carried on the outward journey. In this event the report outward shall be filed with Customs at actual time of departure from Canada.

A.T.A. Carnet System

3.(1) Since Canada has acceded to the Customs Convention on the A.T.A. Carnet for Temporary Admission of Goods (A.T.A. Convention) a dual temporary entry procedure is now maintained by Customs and Excise. A Carnet can now be used by non-residents when importing pleasure craft and durable articles for a temporary period when they are included with the personal baggage. Carnets are usually issued by a foreign Chamber of Commerce or affiliated association in the country of export.

(2) When A.T.A. Carnets are used, no other security is required since security for the Customs duties and excise taxes is provided by the Canadian Chamber of Commerce while the articles are in Canada.

Appendix C-2 (Concl'd)

(3) Articles imported under cover of an A.T.A. Carnet shall be exported on or before the expiry date of the Carnet or the date designated by the Collector at the time of importation.

G.L. Bennett,
Deputy Minister of National Revenue,
Customs and Excise

Files: 8123-0; 8455-4

Source: Memorandum D 1-2 National Revenue Customs and Excise, July 12, 1973

Item	Article	<u>- MFN Rates of Duty -</u>											
		<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	1974
		<u>- per cent ad valorem -</u>											

Yachts or pleasure boats, regardless of length or tonnage, whether motor, sail or steam propelled, owned by a resident of the United States or brought into the United States for sale or charter to a resident thereof, whether or not such yachts or boats are brought into the United States under their own power; and parts thereof:

Item	Article	(b)											
		Yachts or pleasure boats											
696.05		Valued not over \$15,000 each											
696.10		Valued over \$15,000 each											
696.15		Parts											

Canoes, racing shells, pneumatic craft, and pleasure boats not specially provided for which are not of a type designed to be chiefly used with motors or sails; and parts of the foregoing:

696.30		Canoes and canoe paddles, of wood or bark											
696.35		Pneumatic craft											
696.40		Other											

(a) Rates shown apply to trade with Canada
 (b) In 1962 description was "motor boats". This term included "A yacht or pleasure boat ... whether motor, sail, or steam propelled"
 (c) Articles 696.30, 696.35 and 696.40 were established in 1963
 Source: Tariff Schedules of the United States, United States Tariff Commission

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Appendix E-1
Section XVII
Chapter 89
Gen.

CHAPTER 89

SHIPS, BOATS AND FLOATING STRUCTURES

Chapter Note.

A hull, unfinished or incomplete vessel, assembled, unassembled or disassembled, or a complete vessel unassembled or disassembled, is to be classified within heading No. 89.01 if it does not have the essential character of a vessel of a particular kind.

GENERAL

This Chapter covers ships, boats and other vessels of all kinds (whether or not self-propelled), and also floating structures such as coffer-dams, landing-stages, buoys, etc. It also includes air-cushion vehicles (hovercraft) designed to travel over water (sea, estuaries, lakes), whether or not able to land on beaches or landing-stages or also able to travel over ice (Section Note 5).

The Chapter also includes:

- (A) Unfinished or incomplete vessels (e.g. those not equipped with their propelling machinery, navigational instruments, lifting or handling machinery, interior furnishings, etc.).
- (B) Hulls of any material.

Complete vessels imported unassembled, and hulls, unfinished or incomplete vessels (whether assembled or not), are classified as vessels of a particular kind, if they have the essential character of that kind of vessel. In other cases, such goods are classified within heading 89.01.

Contrary to provisions relating to the transport equipment falling within other Chapters of Section XVII, the present Chapter excludes all separately imported parts (other than hulls) and accessories of vessels or floating structures, even if they are clearly identifiable as such. Such parts and accessories are classified under the appropriate headings elsewhere in the Nomenclature, for example:

- (1) The parts and accessories specified in Note 2 to Section XVII
- (2) Wooden oars and paddles (heading 44.28).
- (3) Ropes and cables of textile material (heading 59.04), or of iron or steel wire (heading 73.25).
- (4) Sails (heading 62.04).

- (5) Masts, hatch-ways, ships' rails and parts of hulls, having the character of structures, etc., falling within heading 73.21.
- (6) Iron or steel anchors (heading 73.30).
- (7) Propellers and paddle-wheels (heading 84.65).
- (8) Rudders (heading 44.28, 73.40, etc.) and other steering and rudder equipment for ships (heading 84.59).

The following are also excluded from this Chapter:

- (a) Model vessels used for ornamental purposes (e.g., galleons and other sailing vessels) (headings 44.27, 83.06, etc.).
- (b) Demonstrational apparatus or models of heading 90.21.
- (c) Torpedoes, mines and similar munitions of war (heading 93.07). Pocket submarines, however, remain within the present Chapter.
- (d) Wheeled toys, in the form of boats, designed to be ridden by children (heading 97.01) and other toys (heading 97.03).
- (e) Water-skis and the like (heading 97.06).
- (f) Parts and accessories for roundabouts or other-fairground amusements, such as small boats for use on roundabouts, water-chutes, etc. (heading 97.08).
- (g) Antiques of an age exceeding 100 years (heading 99.06).

Amphibious motor vehicles and air-cushion vehicles designed to travel over both land and certain tracts of water (swamps, etc.) are classified as motor vehicles in Chapter 87, and seaplanes and flying boats fall within heading 88.02.

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Section XVII
89.01

89.01 - SHIPS, BOATS AND OTHER VESSELS NOT FALLING WITHIN ANY OF THE FOLLOWING HEADINGS OF THIS CHAPTER (+).

This heading covers ships, boats and other vessels, whether or not self-propelled, other than tugs, etc. (heading 89.02), special purpose vessels (heading 89.03) and vessels for breaking up (heading 89.04). The vessels of this heading are, in general, designed primarily for the conveyance of personnel or goods; they may be for sea or for inland navigation (e.g., on lakes, canals, rivers, estuaries).

The heading covers, for example:

(A) Sea-going vessels.

Liners, cargo-vessels of various kinds including refrigerator vessels for the transport of meat, fruit, etc.; vessels specialised for the transport of particular goods (grain, coal, ores, etc.); tankers (petrol, wine, etc.); yachts and other sailing vessels; cable ships; ice-breakers; floating factories of all kinds (for processing whales, preserving fish, etc.); whale catchers; trawlers and other fishing vessels; lifeboats; scientific research vessels; weather ships; vessels for the transportation and mooring of buoys; pilot-boats; hopper-barges for the disposal of dredged material, etc.

(B) Vessels for inland navigation.

Barges of various kinds; lighters; pontoons being flat-decked vessels used for the transportation of goods and, sometimes, of personnel; rowing boats; vessels of a kind used for sport or pleasure such as yachts, dinghies, canoes, skiffs, pedalos (a type of pedal-operated float); pneumatic craft; boats which can be folded or disassembled; vessels of the hydroglider type, etc.

The heading also includes:

- (1) Warships of all kinds, including submarines.
- (2) Ferry-boats of all kinds, including train-ferries, car-ferries, small river-ferries, etc.

The heading excludes:

- (a) Pontoons clearly designed to serve as bases for floating cranes, etc. (heading 89.03) and pontoons of the hollow cylinder type for supporting temporary bridges, etc. (heading 89.05).
- (b) Rafts of all kinds (heading 89.05).

Source: Customs Co-operation Council, Explanatory notes to the Brussel Nomenclature, Volume 3, Brussels, 1966.



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